The Australian job market is far more dynamic and even more resilient than is suggested by official figures, if Xero Small Business Insights is anything to go by. Xero is the online accounting software package taking Australia and the world by storm since it was founded 10 years ago.

Favoured by small business owners, the software allows Xero to aggregate key metrics such as staff numbers and to track movement by geography and over time across its 500,000 Australian subscribers. Rather than rely on a survey of a sample of workers published each month by the Australian Bureau of Statistics, the anonymised Xero dataset captures real time metrics for a vastly larger cohort.

The ABS surveys about 55,000 people in the labour force each month; Xero Small Business Insights shows percentage changes to staffing levels
across several hundred thousand workers. Both datasets point in broadly the same direction, but Xero Small Business Insights adds an important dimension.

The ABS jobs report is a snapshot taken halfway through the month. For example, the August employment data, published several weeks ago, was collected in mid-August.

That's where Xero Small Business Insights comes in. Xero has data on employment captured on 31 August, and it has released the figures today — more than a week ahead of the ABS report that will cover late August.

Technically, the Xero perspective on employment change is a heartbeat faster than the ABS's, and promises to be every month. If the economy is going through change, say growing or shrinking, the direction of the shift could be picked up first by the more timely Xero dataset.

Technically the Xero perspective on employment change is a heartbeat faster than the ABS perspective

This early warning role of Xero Small Business Insights can be seen by comparing the percentage movement in employment as measured by the ABS, and as recorded by a select cohort of Xero businesses. For example, The ABS's December figure was up 0.7 percent on November whereas the later Xero figure for December was up only 0.2 percent.

The January figures confirmed the trend: the ABS's methodology revealed a 2.2 percent reduction in employment while the Xero figure was down 3.5 percent. Both datasets pointed in the same direction in January but the early warning was signalled by the Xero data, captured the last day of the month, which was well below the ABS figure.
The message is clear. Xero Small Business Insights is a must-have, or at the very least a must-consult ready reckoner, on the rise and fall of employment. Interestingly, the recent Xero dataset comparing employment at the end of August with the end of July shows strong growth of 1.1 percent. The ABS data, on the other hand, comparing employment levels between early August with early July is still showing a modest contraction in jobs (down 0.2 percent).

But there is even more insight to be gleaned from the Xero dataset. In a direct comparison of the percentage change to monthly employment between the ABS and Xero datasets for the last 12 months, the ABS shows steadier and perhaps less volatile movements. And rightly so. The ABS survey covers private and public sector workers as well as workers in big, medium and small business. Xero businesses are exclusively private sector and favour the small and medium enterprise sector.

What the ABS labour force surveys do not reveal are the ups and downs of employment in small business. Casual labour is laid off over the January shutdown and also in April at Easter and in July at the beginning of the financial year. These downswings are offset by upswings in February, May and August.

Bigger businesses and the public sector do not respond to these tidal flows in the demand for labour. The private-sector small-business workforce might be volatile and seasonal but it is also rhythmic. For the first time we are seeing exposed a new perspective of the resilient and dynamic Australian workforce.

And who knows, perhaps the Xero optimism that saw demand for labour over the month to late August rise by a greater margin than was measured by the ABS over the month to early August, will be confirmed by even stronger employment figures to be released by the ABS on 19 October. But here’s the beauty of the Xero SBI dataset. It is quite possible that this new dataset is giving you a heads up a week in advance. Let’s wait and see what the ABS figures for September show because Xero is suggesting it may reveal a strengthening trend, which is good for the overall economy.

Either way, you cannot afford to miss any updates, which are released every month for free. Do as I have already done and sign up today.
Late payments fell for three months in a row to August, helping keep small businesses in the black.

Overdue payments to Australian small businesses fell for a third straight month, setting a new low and helping keep cash flow positive for the first August in three years, according to Xero Small Business Insights.

Invoices with 30-day terms were settled in an average of 34 days in August, down from 34.5 in July. While that means payments still arrived four days late, it’s the shortest figure on record at Xero. The half-day drop is notable, given the July-to-August change is typically negligible. The figures in Xero Small Business Insights are aggregated, anonymised data selected from more than 500,000 subscribers in Australia.
Faster payments were a shot in the arm for cash flow. Some 53.7 percent of small businesses had more money coming in the door than leaving. That’s the best August in three years. It’s a win for Australian businesses, most of which typically see cash flow turn negative in August. It’s also a call to action.

“Payment times are coming down, and small businesses that don’t take action on their debtors list are going to be left behind,” says Michael Little, business partner at Sequel CFO, a Melbourne-based service that offers virtual CFO services. “If business owners don’t focus on beating the benchmarks in Xero Small Business Insights, poor cash collection could constrain their growth more than that of their competitors.” (See here for five tips from Sequel CFO on getting paid faster.)

The improved payment times may reflect a broader shift led by Australia’s biggest businesses. August was the second month that over 40 large companies, as well as several city councils, began honouring a pledge to pay small suppliers within 30 days. Coles and Woolworths supermarkets have committed to 14 days.

A deeper look at the August data reveals some states are quicker to pay than others. If you’re a small business in Victoria issuing a 30-day invoice, you can expect to be paid in 34.3 days on average – one full day quicker than in New South Wales. South Australian businesses seem to fare worst. Their invoices languish for an average 35.7 days. Meanwhile in Tasmania, they’re laughing: bills in the Apple Isle get paid in a relatively speedy 29.3 days, a day earlier than they’re due.

Some analysts have suggested Tasmania’s prompt payments may be due to the island’s outsize reliance on tourists – see this SBI article for details. Many pay on the spot for services such as food and lodging. And tourists outnumber locals: about half a million people live in on the island, and twice that number visit each year. Queensland, which sees even more tourists relative to residents, also boasts shorter payment times than Victoria and New South Wales at just 31.6 days.

Getting paid faster gives businesses the fuel to expand. That could mean taking on more workers. Headcount at small businesses grew by 1.1% month on month in August, Xero data shows. That’s compares with a loss of workers for businesses of all sizes, according to original employment estimates reported by the ABS. Official figures show Australian employment fell by 0.2% from mid-July to mid-August.

Ultimately, expanding a business is about managing cash flow, says Mark Lawry, a partner at Melbourne-area accounting and advisory firm Suntax.

“For me, it’s all about using Xero’s dashboard. For every client I have, I’ll set up a watch list on their dashboard with the amount of superannuation
payable, GST payable, and pay as you go (PAYG) withholding payable. They can also see their bank account balance, invoices coming in, bills to be paid and when they’re due on one screen. It’s a snapshot of their whole business.”

It enables businesses to monitor what’s owing before they go and pay out any profit distributions, make drawings, or before they purchase any new plant or equipment, says Lawry. “A lot of businesses will just see the money coming into their account and mistakenly assume they’re doing fine.”
Payment times for small businesses have fallen to a three-year low, based on a Xero analysis of invoices with 30-day terms. If you don't focus on beating the benchmarks in Xero Small Business Insights, poor cash collection could constrain your growth more than that of your competitors.

Developing strategies to get paid faster is one of the most effective ways to increase cash, which you can then use to grow your business, or spend on a well deserved holiday.

Here are five things we at Sequel CFO recommend to help beat the benchmark.
Exciting Things

1. Introduce new revenue lines
   Do you have that strategy in the back of your mind that would bring in a new product or service? Have you thought about how to turn that idea into reality, and maybe bring in new cash with no payment terms (the best cash flow structure)? Or better yet, payment in advance? Creating a mix of revenue lines reduces risk in your business, can increase its value and help you sleep better at night knowing there’s cash coming in.

Less Exciting Things

2. Change your contract terms
   How often do you just start working without a signed contract? Without a signature and standard terms and conditions, you can be fighting with one hand tied behind your back when it comes to collecting overdue payments.

3. Use credit applications and enforce credit terms
   Often we let good customers delay their payments when we want their business. But if your customer really values you, they should prioritise paying you. Don’t be afraid to use collection steps (including discontinuing service) if customers breach their terms. Your bank wouldn’t hesitate, so why should you?

Boring Things

4. Once a week, review your aged debtor listing (an easy report to call up in Xero) and look for errors. You can’t know whether you are beating the benchmark if your data is wrong. Look for:
   a) Negative amounts. This could mean credit notes have been applied to the wrong invoices. Ask your accounting team to fix these if you know they’re wrong.
   b) 60+ and 90+ day accounts are a sign a debt has turned bad. Get on the phone and call these customers. If you need to write the debt off, do it (and maybe get a tax deduction!)

5. Nail your invoicing approval process
   An easy way to get paid on time is to make sure your invoice is correct. An error can cause you to miss your customer’s payment cycle while you amend an invoice or issue a credit note. This is a tactic big companies employ, despite their commitments to pay SMEs sooner.

Credit reports can give you a sense of how risky a potential customer is and how reliably they pay their bills. You’ll be able to set your payment terms accordingly. This is an excellent guide from Xero.
Businesses that monitor their financial performance and partner with accountants, CFOs and advisors to improve their performance will be perfectly positioned to make the most of new information like Xero Small Business Insights.

This page contains general information only from Sequel CFO and should not be taken as taxation, financial, investment or legal advice from Xero. Xero recommends readers always obtain specific and detailed professional advice about any business decisions.
The top three challenges and opportunities facing the farming industry

How things are going for farming and agriculture is hugely important for Australians, given our cultural connection to the land. The sector is one of the biggest employers in rural and regional Australia, with farm production being worth around $60 billion in 2016-17, and bringing in around $45 billion in export revenue, according to the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES).

When it comes to the challenges and opportunities in farming across Australia today, the issues can be as vast as the land they occupy. Here is a quick snapshot of some of the most pressing challenges – and exciting opportunities..
Challenge #1: Limited weather forecasting can rock revenue

“The weather is obviously always a big challenge,” says Gus Thompson, a cotton farmer based in Central West NSW, “but the way we predict our weather needs more input.”

According to Gus, the US forecasting system is miles in front of the Australian forecasts, with Australia lagging behind overseas examples. “I reckon the Australian government doesn’t see long term forecasting as a worthy enough investment,” says Gus. “As farmers, we aren’t subsidised – so if we’re wasting money, it’s not the government’s problem.

“For example, I wasted half a million last winter from planting crops that never grew. It could have been avoided with better forecasting. Ninety per cent of the people you talk to on the land would probably air the same frustration,” Gus says.

Challenge #2: Big business affects the bottom line

Duncan Ashby – a senior consultant at ProAdvice, which provides business advice to rural farmers – says that farmers can fall victim to becoming ‘price takers’ – having to accept the prices on offer in the market.

“The relentless trend is that farmers are more and more often price takers,” he says. “If you’re a small producer producing for large businesses then you lack market power. And supermarkets can misuse their own power, which is tough.”

There is a silver lining though. “Some supermarkets – like Aldi – are good to deal with, as they build long term relationships and deliver a fair price to farmers,” says Duncan.

Challenge #3: No connectivity (and complex tech) hampers productivity

“The NBN is all great in theory,” says Gus. “But it needs to be wireless. This comes up a lot amongst farmers, as we increasingly use technology plug-ins. It’s great that farmers can use technology like cloud-based management programs, but we need to have that network coverage there to upload what we’re working on.”
Beyond connectivity, Gus says farming-specific technology platforms could be streamlined.

"I think there’s a big opportunity for an IT guru out there to try and simplify a many of our management programs," he says. "A lot of farmers have their head in the sand and don’t want to know about them, because they’re too hard to use. I’d like to see this technology simplified. There’s no need to have it so complicated."

So, where are the opportunities?

On the flip side, opportunities in agriculture are there for the taking. Rural business advisor, Duncan Ashby, discusses a few of them – including an alternate way of ‘working the land’ that he says can benefit everyone.

**Opportunity #1: Share the land to share the profits**

Duncan explains the potential of contract share farming as a win-win opportunity for smaller farmers to consider.

"Contract share farming is where the bigger entity (the leasee) and the smaller farmer (the lessor) both farm the land together through a lease arrangement, where profit is incentivised and shared," he explains. “This is where the cloud can come into its own – as both parties can see what's happening behind the numbers in the shared venture. It brings about a whole new level of transparency.”

Duncan states the case for this approach. "A lot of smaller farmers aren’t making a profit, yet the numbers show that if they leased their land to larger, more established farmers, they could make a good living," he says.

This suggestion is sometimes disregarded in farming circles, explains Duncan, where the bigger entity is met with skepticism by the smaller farmer.

"It's important to clarify that though the proportion of corporate-owned farms and international farmers has risen, it's not by as much as everyone thinks," he explains.

"The bulk of Australian farming is still dominated by family farmers. So instead of demonising these larger entities, we should be celebrating them as success stories.”
Opportunity #2: Some ‘profit perspective’ goes a long way

“There’s a lot of talk about the need for government subsidies”, says Duncan. “But if you look at America, where farmers are subsidised, they don’t actually make a profit.

“They all make a loss, which is pretty shocking when you think about it – even the best farmers. Instead, their ‘profit’ is solely made up through the government subsidy, creating a very dependent model.

“Whereas here, many of our farmers are independently profitable, which is a credit to them. Many Australian farmers run lean operations and are turning a profit. We should be proud of them and the benchmark they set, especially given our unpredictable weather conditions and relatively poor soil.”

Opportunity #3: Go bespoke and prosper

Duncan says that farming often favours established farmers, or conversely, small niche growers.

“If you’re a smaller farmer, you’re best to either specialise with a niche bespoke brand that yields a high margin, or lease your land out to a bigger farmer,” advises Duncan.

“If you do choose to go bespoke and your product has a high margin, then you stand to make a lot of money. But be careful not to burn out at the farmer’s markets, as this ‘direct to market’ approach can take a toll.

“The key here is how you brand and market your produce – tasks which require a very different skillset,” Duncan says.

Meet….

Gus – Gus Thompson is a cotton farmer in Central West NSW who loves his job. “Every day is different, and I’m always outdoors,” he says during our mobile interview which was carried out on his 4-hour trip to Dubbo (with some seriously patchy phone reception thrown in for good measure).
Duncan – Duncan Ashby is a senior consultant at ProAdvice which works to help family businesses grow, particularly rural-based farmers. He specialises in agri-business advice with a focus on collaborative farming models, farm financial management, business structuring and succession planning.
Small businesses on dealing with cash flow

Cash flow. It’s the stuff that can keep business owners awake at night. The larger a business grows, the more stressful these challenges can become.

We invited four fearless small business leaders to share their own cash flow insights. Together, they represent a range of industries and business models across the small business spectrum. By combining their anecdotal insights with Xero’s anonymised monthly data from hundreds of thousands of small businesses, we lift the lid on all things cash flow related.
Who’s who?

Meet the four founding members of Xero’s small business advisory panel.

Mandi Gunsberger, a high-profile digital media advisor, who successfully sold the nationwide digital publishing company Babyology.

James Begley, founder of Pickstar, the uber of sports celebrity speaker engagements.

Pippa Oostergetel of Squeak, a retail business specialising in digitally printed scarves, and recent recipient of Xero’s Cloud Street package.

Mark Lawry, a data-driven partner at Suntax accounting firm in Melbourne.

Firstly, do you know your business’s cash flow pattern?

Mandi, Founder and CEO of Babyology: Yes, we often have a good May, June and July. April is always a strong time of year for us and – since it can take us three months to get paid due to agency timelines – we know July will be a great month for cash flow. It can take a while to get over the Christmas hump every year so we may have to go into our personal savings to buffer this. But knowing that this is a typical pattern means we can be prepared.

Pippa, CEO of Squeak: Being retail-based, my July EOFY sales always boost cash flow. Then things die off, and August and September go quiet. But with just me in the business, my cash flow seems to work out in the end. I can always invest my own money and pay myself back during high sales time like Christmas or June and July.

James, founder of Pickstar: July is always a good month for our cash flow and last July we doubled our best ever month from an invoicing point of view. Part of that is because, as an events business, we have established tight policies to bring in money prior to events to help our cash flow. That’s an important tip for any business to consider. Things quieten down for us at Christmas – July and August are always the pinnacle, and we plan for that.
How often do you look at the numbers to help support your own cash flow?

**James of Pickstar:** Every day. For me, the key is to understand the difference between invoicing and cash. I see invoicing as a forecast of what’s to come, and I use the cash summary report to give me a view of the here/tomorrow/next week. Sometimes in a small business, it's not about what’s happening three months away, it's about next week.

**Mandi of Babyology:** I agree – I look every single day. The numbers control everything we do in our business. When we were smaller, we had a very stable cash flow and would pay invoices the day they came in. But as a growing business with staff, you have to be much more strategic.

**Pippa of Squeak:** It’s such a good idea to track your data, as long as you take that one step further and develop conditions that help you. Like my wholesale orders. I haven’t ordered the stock yet – I’ll wait until I get a little bit of cash that’s coming down the line. It’s about creating rules and procedures for yourself to aid your cash flow initiatives.

**Mark of Suntax:** This is going to sound like a typical accounting answer but, for me, it’s all about using Xero’s dashboard. I set up a watch list for every client I have to track the amount of Super, GST and PAYG withholding that is payable. I can see the bank account balance, the invoices coming in, the bills that need to be paid, and when they’re due. I check this every day. A lot of business owners see money coming in and think they’re doing okay, but you have to address all the payables to truly know where you stand.

How does cash flow affect your business decisions?

**Mandi of Babyology:** Cash flow is everything. It can certainly be the difference between taking your business to the next level or not. Our end goal was always to sell the business – which we recently did. To achieve that we knew we needed to operate out of an office and have established processes that could work without us, so we worked toward that. But my advice would be, don’t rush into growth just because you think you should. Sometimes it’s just about making enough money to keep doing what you’re doing.

**James of Pickstar:** I agree. The idea of growth is a common theme that comes with cash flow – but the ability to grow can be a real chasm for small businesses. The question becomes, do you make enough money to profit and be able to reinvest to grow your business? That was a big dilemma for us, and it’s the reason we sought out investment. Having a
healthy cash flow is one thing – but you need a strong growth model to guide where that money gets used down the road.