

There has been a lot of discussion about the end of the "age of entitlement" as if the rug should be pulled out from under all government spending on business-focused policies and programs.

Let's be clear, not all government policies and programs directed at business can or should be tarred with the "entitlement" brush.

Indeed, given our economic fragility, there has never been a more important time for governments to look for ways to encourage and facilitate business efforts in innovation, capability building and workforce development. Companies obviously have to help themselves but they also rely on governments to get the fundamental policy settings right so we can compete domestically and globally while operating in what is one of the world's highest cost economies.

The federal cabinet's recent choices – including a cutback in funds committed by the former government to automotive sector transformation, providing no further support to General Motors Holden, and not supporting investment at SPC Ardmona – send important messages.

Those decisions may well attract criticism – for creating job losses in the short term, fuelling business doubts about the reliability of government commitments and, perhaps, accelerating the economic transformations under way. As sad and difficult as they are, however, job losses are inevitable in the face of the significant structural pressures at work in our economy. What happens in the medium and longer terms is perhaps more important for our national economy, and this is where governments undoubtedly have key roles that should not be blurred by talk of "entitlements", "corporate welfare" and the like.

Governments clearly have roles to play in generating confidence in sustainable budgetary policy; ensuring that our taxation arrangements do as little damage as possible; ensuring we have effective training and education arrangements; establishing legal and institutional frameworks that give both employers and employees the flexibility to settle on bargains that meet their individual requirements; setting out and delivering on a plan to modernise Australia's infrastructure, and reducing the compliance costs and regulatory burdens borne by businesses.

Governments also have roles to play in proactively enabling business efforts to become more productive and dynamic. This requires a clear policy focus on lifting the capacity of businesses to innovate and backing the development of business capabilities and workforce skills.

Encouraging business innovation goes beyond ensuring all Australian businesses have access to research and development tax incentives, although that would help. It involves removing obstacles to collaboration between business and public sector researchers. It also involves lifting engagement between small and medium enterprises and researchers – for example by implementing an innovation voucher scheme for SMEs.

Innovation policy should also focus on developing the deeper, self-sustaining domestic venture capital market that is so critical to the innovation and commercialisation efforts of Australian industry.

There is clearly considerable scope to strengthen Australia's business capabilities – particularly for SMEs. We should build on proven programs like Enterprise Connect in which strategic advisers work with businesses to review and improve their abilities to build competitive advantages. It could also involve encouraging businesses to develop workplace cultures and practices that better engage their workforces in the process of business improvement.

Along similar lines, governments can help businesses overcome the obstacles they face in investigating opportunities to export, invest abroad and more generally participate in global supply chains.

Last, but far from least, governments have critical roles to play in shaping skills and higher education policies so that businesses have access to high-quality new entrants into the workforce and are supported in their own efforts to lift the skills of the existing workforce – including in basic areas such as literacy and numeracy.

There is a tendency among some commentators to put all business-focused programs in a demonised “corporate welfare” or “rent-seeker” box and to ignore how essential such government policy fundamentals are to supporting broad economy-wide outcomes by encouraging and facilitating improvements in businesses.

Yet there is a strong case to say that encouragement and facilitation along these lines is particularly important right now. Australia is searching for a development path that rebalances the economy and reduces some of the risks we face because of the increased role of commodity exports in the economy.

Further, we should not overlook the fact that the very businesses we need to invest in improving themselves have been battered by the long period of high exchange rates that depleted their revenues and reserves and that dried up their export markets.

A balanced and resilient national economy does not materialise by waving a wand or hoping for the best. We need clear and creative policy directions – bipartisan if possible – if we are to transform our economy successfully, restore confidence, lift jobs growth and investment and build international competitiveness across a broad front.

Encouraging business improvements that underpin the development of new sources of growth and the diversification of our economy is something we should all support.