



**FINGERPRINT ME**  
YOUTH EMPLOYMENT ACADEMY

# THE PARLIAMENTARY INQUIRY INTO INHIBITORS TO EMPLOYMENT FOR SMALL BUSINESS AND DISINCENTIVES TO WORKING FOR INDIVIDUALS

## SUBMISSION

May 2015

FOR ALL ENQUIRIES RELATING TO THIS SUBMISSION PLEASE CONTACT:

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## ABOUT FINGERPRINT ME

Fingerprint Me Youth Employment Academy is an employer driven, socially focused organisation helping young Australian's thrive in their transition from education into the workforce. Our vision is to see the end of youth unemployment in Australia. Our programs and services are based on extensive research into youth labour markets, career education, and workforce transitions both in Australia and internationally.

The Fingerprint Me Youth Employment Academy, based in Melbourne's Inner East, is the first of its kind in Australia, combining career planning, mentoring and employability skills training in a range of comprehensive programs that prepare young people for work; all under the one roof. The Academy has been designed to bring together and foster meaningful engagement between young people, their families, the community, and business and industry partners. The FM Foundation is the not-for-profit arm of the Fingerprint Me Youth Employment Academy and has been developed to support marginalised young Australians aged 15-25 years to access our programs and reach their education and career goals.

## ABOUT OUR FOUNDER, PETER CORONICA

A former restaurateur, Fingerprint Me's founder Peter Coronica has been an owner and director of a number of successful Melbourne restaurants and cafes. With over twenty years experience as an employer of young people, Peter has unique insight into the importance of small business in providing young people with employment and the opportunity to develop core workplace skills. Selling his last business in 2014, he decided to shift his focus to supporting young people transition effectively into further training and employment ensuring that they had access to all the supports required to excel in the workplace. With his extensive business experience, he is able to engage with other employers on a peer-to-peer level that supports them to attract, engage and retain young people in their workplace.

Peter is the author of the book *Your Boss's Boots: How to get your foot in the door in the competitive world of work*, and regularly gives talks around Australia on small business and youth employment outcomes. Peter has appeared as a guest speaker at both the National Employment Services Association (NESAs) and Career Development Association of Australia (CDAA) National Conferences.

## INTRODUCTION

We recognize that young people today face an increasing number of barriers to workforce entry. Competitive business conditions, labour saving advances in technology, an increasingly mobile and globalized labour market: many factors have conspired to make low skilled or entry-level jobs a scarcity. In these conditions it is often those who are young and inexperienced who miss out. Compared to the general population, young people are more than twice as likely to be unemployed or underemployed. According to ABS data the number of young people in Australia with either no work at all, or not enough work is over 580,000. We know that the problem is not isolated to young people from disadvantaged backgrounds, nor is it solely a reflection of education. Since the GFC the proportion of unemployed people with and educational attainment of less than Year 12 has declined while the proportion of unemployed with some tertiary education has increased.

Traditionally, small and medium sized businesses have been an important source of employment for young people, particularly those looking to find their first job. Furthermore, small businesses often provide a fertile training ground where young people can develop skills and build on their career aspirations. However employers, particularly those who are also small business owners, are risk-averse. With mounting economic pressures, small businesses are increasingly reticent when it comes to hiring young people. Prolonged



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transitions, partly the result of the growing length of time young people are spending in education and training, mean that many young people attempting to enter into the workforce for the first time in their early to mid twenties, without any prior workplace experience. Burdened with extensive obligations and financial liabilities, many employers are unable or unwilling to take a chance on a young person with no experience who under law must be paid the full adult wage rate.

Outlined below, under the terms of reference of the inquiry, are factors we believe to be salient to the Standing Committee on Education and Employment's inquiry into inhibitors to employment for small business and disincentives to working for individuals.

Representatives from Fingerprint Me would be happy to attend a hearing of the committee, provide oral evidence and/or provide further written advice or information as required by the members of the committee. Fingerprint Me has provided this information as a public submission and does not wish it to be treated confidentially.

### **1. Matters relating to State and Commonwealth laws and regulations including, but not limited to, those that impose excessive red tape and compliance costs in relation to employment**

Rather than pinpointing any individual compliance cost as being an inhibitor of employment for small business, we would like to draw attention to the cumulative effect of costs associated with an ever-increasing number of laws and regulations, and to the negative flow on effect from this burden to youth employment. These costs are compounded by the limited scope, smaller sales turnover and limited barriers to entry of many small business models. In effect, limited barriers to entry create increased competition. This competition drives prices downward, forcing small business owners to make cost cutting measures, leaving wages and salaries vulnerable to cuts.

The compliance and regulation costs to small business include:

- Australian minimum wage rates
- Australian wage rates outside non – traditional working times
- Entitlements
- Superannuation at 9.5%
- GST 10%
- Workcover
- Council rates and on charges including rubbish removal
- Insurance including public liability
- Congestion Levy – Victoria

These compulsory business expenses and were implemented at different times - all for good reasons. However, there is mounting evidence to indicate that these compulsory business expenses do not work in unison in many small business models, particularly those using labour to produce and or manufacture their product.

In late 2013 just over 1 million business owners (55%) had outstanding tax debts with the Australian Tax Office (ATO).

*In late 2014, my own enquires led me to a major accounting firm who have over 4000 SME's to service. This firm confirmed that SME taxation debt at this time had increased to 78%. This firm also confirmed at certain periods, taxation debt affected all of their SME's. Further investigation confirmed that the debts comprised of GST and PAYG, not personal income tax.*

- Peter Coronica, Founder, Fingerprint Me



## **2. Matters relating to laws or regulations that inhibit small business expansion to create additional employment;**

Again, rather than particular instances, it is the failure of the laws and regulatory framework to work in unison that inhibits the growth of small businesses in Australia and prevents the additional employment that would naturally flow from such expansion.

It is simply too expensive to hire, supervise train a young worker when skilled adequate labour is made available via online websites such as Linked In and other outsourcing mediums. Labour is now portable, can be sought for specific tasks, and business has now become more short term, so business owners are more concerned with meeting their obligations today; not training and hiring for the future.

Considering that a twenty year old with no experience, and a skilled forty year old are the same price per hour, deciding who to employ if a business owners personal assets are at stake becomes clear. The Fair Work Act prices labour based on age before skills, effecting the chances for young people to compete with those that have a greater skill base.

When considering these complex set of issues and costs, the price of labour becomes a disincentive to hire those who sit on the fringe of the labour market, for instance youth, the elderly and return to work mothers. Employers substitute their labour for the most skilled, or dis-employ altogether. The Fair Work Act has priced youth labour from the age of twenty at a rate that is uncompetitive for small business to contemplate.

Big business can afford the obligations of the Fair Work Act, small business cannot, but unfortunately they are both forced to play on the same field with the same set of rules. The World Economic Forum 2009 Global Competitiveness report ranked Australia 9<sup>th</sup> for labour market efficiency against 145 countries, the year the Fair Work Act was implemented. In 2014, Australia had slipped to 56<sup>th</sup> and 136<sup>th</sup> for hiring and firing practices.

Other inhibitors include:

The Fair Work Act places at times unreasonable demands on employers. An aggravated or disgruntled employee has the capacity to financially cripple an employer through legal avenues which the employer is forced to subsidise themselves, when the employee has access to free legal aid.

Private Law firms capitalise on the obligations imposed by the Fair Work Act and build their business models to sue an employer. Employees need protection and the rights of workers have been hard fought for by unions for generations, these rights need to remain. However when private employment lawyers can use the Fair Work Act to extract compensation from employers, and profit from this, something has gone wrong. Worse still they advertise on the radio, and this puts doubt in an employer's mind, and acts as a disincentive to hire people.

Risk aversion amongst banking institutions is another disincentive to start and expand a business. Obtaining unsecured funding has become far more difficult than it was some 10 years ago. In fact banks have become so risk averse that unless a business owner has a secure asset base, it is virtually impossible to strata business and employ people for it.



### **3. Factors that discourage or prevent certain cohorts of Australians from gaining employment in small businesses, in particular young job seekers, mature aged Australians, those from regional areas and those with a partial work capacity.**

A vast number of small business owners sign personal guarantees in the course of operating their businesses. Such guarantees might be signed with the bank, landlord, the ATO or for the superannuation of their employees. Limited liability, theoretically behind company directorship, is not the reality for most small business owners. Small business owners have their personal assets at stake as they operate their business. This obligation and financial stress effects the decision making of business owners, most notably in the area of youth employment.

Faced with the high price of labour, small business owners are discerning employers, naturally looking not only to and choosing the right fit for their organisations. The skilled labour market is the most attractive to an employer, after all they need the job done, have their personal assets at stake, and are forced to pay top dollar to do it. Further proof is found in the casualisation of the workforce, with today only around half of all working aged Australians with a full time job.

Young people find themselves disadvantaged from finding and maintaining employment for the following reasons:

- Poor work ethic. Only 45% of 15 – 19 year old participate in some form of employment. This time needs to be spent learning basic transferable skills, meeting an employer's expectations, punctuality and communication skills. Their parents do not value work as highly as they do education, and their transition into the workforce is happening much later and they are struggling as a consequence.
- Young people have a tarnished reputation amongst employers. They are too difficult to skill up and invest time and energy in, to have them quit and move on. Young people are transient, many are stuck in adolescence, and lack a defined career target.
- Lack of career development in our school system leaves young people without a target and trajectory to pursue. They use industries as a field trip and exercise "try before you buy" and play hopscotch across jobs looking for an ideal fit. This frustrates employers.
- The consumer has more power than ever before. On-line review sites like urban spoon, trip advisor and Yelp persuade consumers to make purchasing decisions. Business owners are at the mercy of many of these reviews and are obligated to meet consumer needs as a poor review can make or break a business. Employers are forced to hire the most skilled person for the position now that their reputation can be tarnished on line.

Parents in many ways are hindering their children from career success and employment:

- Careers and the changing world of work make it difficult for parents to navigate and understand the workforce and in many occasions give poor and incorrect advice. School also do this as well.
- Parents put too much faith in the education system which in many schools is of poor quality. Especially in the field of career education which in many schools does not exist.
- Parents cave into the wants of their children by providing for them and not teaching them to need and strive for things themselves. Many young people lack drive and the need to move into the workforce.

Technology has shortened the attention span of young people and Google is a new resource for information to feed their information needs. This impatience breeds restlessness in the workforce and an inability to stick at tasks. The access to information is a challenge for many parents. Before the internet young people went to adults for advice, whereas today they look online.



Throughout our work and through personal experience as employers, we believe that young people spend too much time with one another and online, instead of spending time with an adult who can mentor, coach and lead them. Subsequently they struggle professionally, at entry level tasks, and lack good communication skills. This is another barrier to employment for young people.

The role of the small business owner, who in many instances, is often a parent is underestimated. Their role is more than just the gatekeepers for the workforce, but often a saviour for many young people when things do not go their way. Risk and mounting obligations threaten the ability for many business owners to ultimately provide the opportunities to hire, train, coach and mentor the many misguided youth of today.

#### 4. OTHER MATTERS

##### LACK OF REPRESENTATION

Small business owners lack representation overall. This is a concern considering around 60% (7 million Australians) work for businesses with fewer than 19 employees.

Larger enterprises have KPI's in the form of statistics and profit reports. Their performance is public knowledge and their well being can be judged overall.

Small enterprises often have some form of statistical measure, however they are unlikely to reflect the true story, and the owners individual bank balance may be the only real measure of success. To gauge overall health of the small business sector and implement effective strategies is made more difficult.

#### 5. RECOMMENDATIONS:

- The Federal Government should consider offering tax breaks according to postcodes and subsequent unemployment rates in these postcodes. There is not one labour market, but one hundred different labour markets, and in areas with high unemployment businesses can be encouraged to establish with something like a GST free period for two years while establishing themselves.
- The Federal Government to establish small business loans similar to VET-FEE-HELP; start a business now and pay later. Business owners could qualify for loans up to \$100,000, link it to their tax file number, and pay later once their business is running. Conditions could include employing people under the age of 25.
- The Federal Government Offer tax breaks to businesses who hire young unemployed who live in postcodes with high youth unemployment rates.
- Provide each working aged Australian 750 hours of labour at 70% of the applicable rate to be “cashed in” by small business owners. This provides an incentive for business owners to hire and skill up a young person at a discounted cost. The 750 hours are linked to an individual's tax file number and can be used across multiple employers.
- Discard penalty rates for small businesses and extra payment for working non-traditional times.
- The Federal Government needs to invest in the future of young people and our businesses; programs within the community that better prepare young people for employment will increase their chances of securing employment and encourage employers to invest in our future workforce.

We believe that current conditions for small business are not conducive to employment. We are particularly concerned that young people are being disproportionately affected by this trend.