

With the ancient is wisdom; and in length of days understanding.  
(*Bible*, Book of Job, 12:12.)

## **Establishing a small business—a high risk option**

### **Introduction**

- 5.1 Many mature-age people, having lost employment, choose to establish or purchase a small business. There are a variety of possible motivations behind such a choice. Many undoubtedly welcome the sense of independence that self-employment may bring. A redundancy package may be seen as providing an opportunity for a change in direction—a new career more fully under their control. For others, who may have experienced a lengthy period of being unable to find another job, it may be more an act of desperation. People need to assess the risks rationally before starting a small business since the failure rate is high. The Committee is concerned that many people are not fully informed of all the risks.
- 5.2 Regardless of the motivation behind the choice, successfully running a small business takes considerable knowledge, skill, and management ability, as well as a very high degree of commitment and hard work. Many small businesses do not survive and the personal consequences may be very severe. Key factors contributing to business failure include unrealistic expectations; lack of access to sufficient finance; and inadequate business skills and planning. Unfortunately, ‘a good employee does not

necessarily make a good business owner'.<sup>1</sup> In the opinion of the Employment Strategies Council, only 3 per cent of small businesses are truly successful.<sup>2</sup> This chapter examines what mature-age unemployed people starting a new business may do to reduce the risk of business failure.

- 5.3 The chapter outlines proposals to further enhance the operation of the New Enterprise Incentive Scheme (NEIS), which is the major Commonwealth program to assist those on income support who wish to establish their own business. There are a number of other assistance programs and services provided by the Commonwealth and State/Territory governments for small business people in general, but awareness of those programs needs to be raised. The chapter refers to some of those programs and services and to the Business Entry Point internet site ([www.business.gov.au](http://www.business.gov.au)) which provides a single access point for further information.

## The small business option

- 5.4 The small business sector is a vital part of the Australian economy. In 1999, there were approximately 930 000 small businesses in Australia.<sup>3</sup> The number grew between 1983-84 and 1996-97 by 56 per cent, an average annual growth rate of 3.5 per cent.<sup>4</sup>
- 5.5 The choice to establish a small business is taken for a variety of reasons and by people from a wide range of age groups. For some mature-age people, especially those given a reasonable redundancy package, loss of employment may provide a welcome opportunity to start their own business. Mature-age people may be attracted to self-employment because it allows them more discretion and flexibility to make use of existing skills and experience. As Mr Ted Davies, of Davidson & Associates, said: 'for those people, it can be a very attractive notion to think about the independence and the autonomy that goes with being self-employed.'<sup>5</sup> For others, it may be an attempt to buy themselves a job after many fruitless efforts to find paid work.<sup>6</sup>

1 M. Drazil, Submission no. 101, p. 13.

2 Employment Strategies Council, Submission no. 61, p. 6.

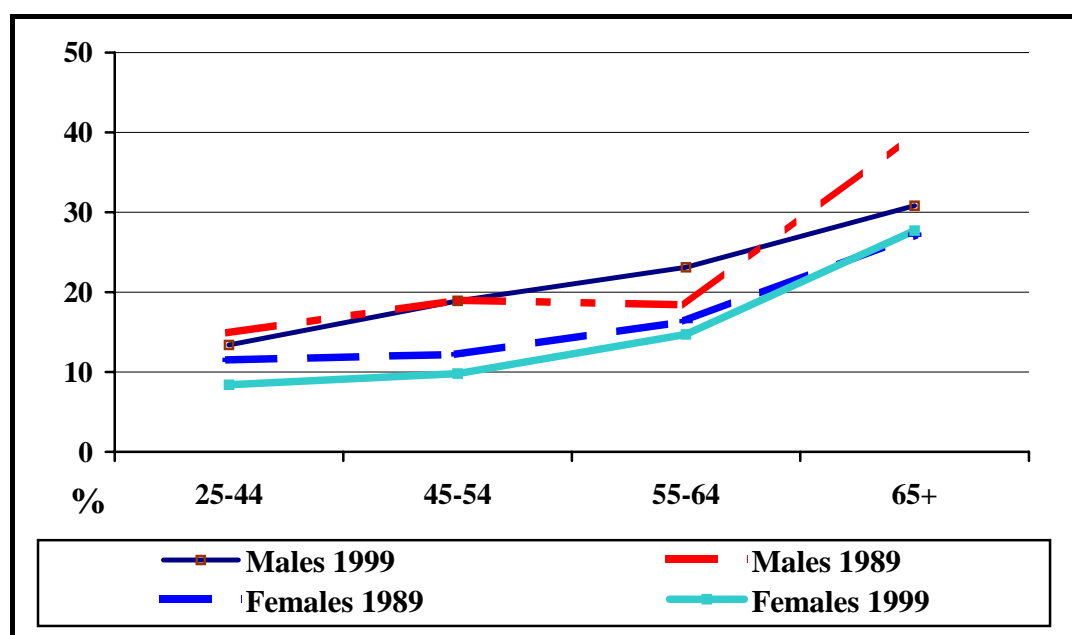
3 [www.dewrsb.gov.au/group\\_osb/smallbus/...](http://www.dewrsb.gov.au/group_osb/smallbus/...), 29 March 2000.

4 ABS, *Small Business in Australia* 1995-96 (Cat. No. 1321.0), 28 March 1998, p. 35.

5 E. Davies, Transcript, p. 782. Davidson & Associates is now known as RightD&A.

6 M. Blade, Brisbane South ACC, Transcript, p. 608 and see M. Drazil, Transcript, p. 418.

Figure 5.1 Self-employment<sup>(a)</sup> by age group, February 1989 and 1999 (percentages of employed people who are self-employed)



(a) Excludes Agriculture, forestry and fishing.

Source: ABS Labour Force Australia (Cat. no. 6203.0) in DEWRSB, Submission no. 142, p. 37.

5.6 Figure 5.1 shows that mature-age people, especially those aged 55 or over, are more likely to be self-employed than younger people.<sup>7</sup> Davidson & Associates reported that, in a survey of 1000 people who lost their jobs in 1998–99, 33 per cent of unemployed people over 50 chose self-employment, compared with 13 per cent of those under 39.<sup>8</sup> During the period 1989 to 1999, growth in self-employment was particularly noticeable for men aged 55–64.

5.7 It is perhaps not surprising that the proportion of small business people is higher in older than in younger age groups, given the need for initial capital and the desirability of some initial work experience. It may also be that mature-age people either have more flexibility than younger people because of greater financial resources, or few options other than self-employment when they lose work.<sup>9</sup>

5.8 It is often the case, however, that those starting small businesses do not have a large pool of financial resources. Many successful businesses have been known to have very humble beginnings. Developments in computers and other electronic equipment have

7 DEWRSB, Submission no. 142, p. 37.

8 Davidson & Associates, Exhibit no. 88, p.1.

9 Davies, Transcript, p. 778.

made it easier for people to establish businesses at home, thus reducing overheads. The ABS has estimated that in 1996–97, 751 500 micro-businesses operated in Australia.<sup>10</sup> Non-employing micro-businesses represent ‘54% of all micro-businesses, 45% of all small businesses and 44% of all businesses.’<sup>11</sup> The Council of Small Business Organisations of Australia (COSBOA) told the Committee that about half a million small businesses operate from home.<sup>12</sup>

- 5.9 The Salvation Army encourages mature-age people to consider turning ideas or hobbies into home-based businesses with some assistance.<sup>13</sup>

...we are starting to look at mentoring opportunities, almost like mini incubators where we link people together. With the funding that we receive through intensive assistance we are able to assist them with some purchases. We might help them to purchase a fax or a phone or an answering machine or some small item that might help them establish themselves in small business.<sup>14</sup>

## Generating employment for others

- 5.10 Small businesses that become successful often create employment opportunities for others.<sup>15</sup> In 1998–99, small businesses accounted for 47 per cent of non-agricultural private sector employment in Australia.<sup>16</sup> Fifty-five per cent of those small businesses, however, were actually businesses with employees, the rest being non-employing sole proprietors or partnerships. The employing businesses had 2.2 million employees, 37 per cent of the total private sector workforce in the non-agricultural sector.<sup>17</sup>
- 5.11 In 1998-99, 51 per cent of all people working in small business were clustered in three industry sectors—retail trade (19%), property and business services (18%), and construction (14%).<sup>18</sup>

10 ‘Micro-business’ is defined as those not employing anyone else or having less than five employees. ABS, *Small Business 1995–96*, pp. 77–78.

11 ABS, *Small Business 1995–96*, p. 78.

12 Bastian, Transcript, p. 883.

13 W. Gallet, Salvation Army, Transcript, p. 188.

14 Gallet, Transcript, p. 188.

15 ABS, *Small Business 1995–96*, p. 9.

16 ABS, *Small Business in Australia 1999*, Canberra 23 May 2000, p. 8.

17 ABS, *Small Business in Australia 1999*, p. 10.

18 ABS, *Small Business in Australia 1999*, p. 13.

The strongest average annual growth rates in small business employment between 1983–84 and 1998–99 occurred in education (6.2%), property and business services (6.1%), and health and community services (5.5%).<sup>19</sup>

5.12 According to the Australian Bureau of Statistics, during 1997–98, the small business sector was responsible for contributing 50 per cent of net employment generation compared to 33 per cent from large businesses. The figures in the previous year had been 57 per cent employment generation from small businesses and 32 per cent from large businesses.<sup>20</sup>

5.13 Mission Australia reported on the growing importance of micro-businesses in offering employment opportunities. Micro-business was responsible for approximately 120 000 net changes in jobs in 1997.<sup>21</sup>

Micro businesses act as a source of employment for groups within the community who traditionally encounter inequity. The Institute of Chartered Accountants, for example, states that, worldwide, micro business caters for women entrepreneurs, young people seeking self-employment and displaced workers or retirees. And micro business represents a growing proportion of regional private businesses.<sup>22</sup>

5.14 The WA Department of Training and Employment advised that it was providing some assistance to home-based businesses so they can hire others, once they become established.

We did a specific survey in Mandurah, which is just to the south of Perth...where both the State funded and Commonwealth funded employment agencies focused on home-based business for three months. They were very surprised that they were able to get 120 people into jobs in those businesses.<sup>23</sup>

5.15 It may be unrealistic, however, to specifically target the small business sector to provide jobs for unemployed mature-age people. COSBOA stressed that in recent times governments have

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19 ABS, *Small Business in Australia 1999*, p. 19.

20 ABS, *Small Business in Australia 1999*, p. 90.

21 M. Leech, Mission Australia, Transcript, p. 77.

22 Leech, Transcript, p. 77.

23 L. Davies, Transcript, p. 239.

appealed to small businesses to employ people with disabilities, young people and others.

The [small business] sector is, I think, justly tired of being appealed to, to pick up the slack of the government itself laying off people, and large firms, for efficiency gains, laying off people.<sup>24</sup>

## Risk of business failure

- 5.16 The Department of Employment, Workplace Relations and Small Business (DEWRSB) referred to evidence showing that ‘self-employed people generally work longer hours and face greater stress than employees, and...the chances of losing one’s business are greater than the chances of losing one’s job’.<sup>25</sup>
- 5.17 There is strong anecdotal evidence concerning the risks involved in small business—both in terms of business failure and the difficulty in producing satisfactory returns on the investment involved. There are problems, however, in obtaining conclusive statistical data.<sup>26</sup> For example, the rate of business turnover is not an entirely satisfactory measure since successful, as well as unsuccessful businesses, are sold.
- 5.18 The Australian Bureau of Statistics (ABS) cautioned that there is no single definition of a business failure. Business bankruptcies are only part of the measure of business failure since owners may close a business without going through official bankruptcy proceedings.
- 5.19 ABS analysis shows that among employing businesses,<sup>27</sup> business exits can be either ‘cessations’ or ‘change in ownership’. By definition, ‘cessation’ means the business no longer exists while ‘change of ownership’ includes takeovers, mergers or a significant change in ownership structure but still in the same or a similar line of business. The ABS estimated that the annual exit rate was 7.6 per cent between 1994–95 and 1995–96, with cessations

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24 Bastian, Transcript, p. 891.

25 DEWRSB, Submission no. 142, p. 38.

26 DEWRSB, Submission no. 142, p. 39.

27 The scope of the ABS surveys excludes non-employing businesses. ABS, *Small Business 1995–96*, p. 146.

accounting for 6 per cent and changes in ownership accounting for 1.6 per cent.<sup>28</sup>

- 5.20 The latest ABS figures available on business exits, which are for 1994–95 and 1995–96, show the exit rate for firms less than two years old was 9.5 per cent, with 7.4 per cent being recorded as cessations. For businesses between two and ten years old, the average exit rate was 7.2 per cent, decreasing to 4.9 per cent for those more than ten years old. The small business sector recorded a higher overall exit rate (7.7%) than businesses with 20 or more employees (5.4%). The cessation rate of small businesses was double that of larger ones.<sup>29</sup>
- 5.21 In place of exit data, the 1999 ABS report on small business used bankruptcy statistics as ‘a useful indicator of the extent to which small businesses are failing’. However, this data needs to be used with caution as ‘business bankruptcies’ include bankruptcies of all individuals with any business involvement in the preceding five years. As well, the entire range of business failures is not covered, several bankruptcies may result from one business failure, and bankruptcies recorded in one year may include business failures which have occurred over several preceding years.<sup>30</sup>

Table 5.1 Business bankruptcies, by State/Territory

State/Territory	1983–84	1996–97	1997–98	1998–99
NSW and ACT	577	1628	1559	2094
Victoria	495	1032	920	1071
Queensland	564	1431	1352	1678
South Australia	293	415	358	397
Western Australia	431	516	473	492
Tasmania	86	133	137	170
Northern Territory	31	36	45	3
<b>Australia</b>	<b>2477</b>	<b>5191</b>	<b>4844</b>	<b>5905</b>

Source: ABS, *Small Business 1999* (Cat. no. 1321.0), May 2000, p. 103.

- 5.22 Table 5.1 shows the number of business bankruptcies in each State. In the three latest years shown in the table, the four major reasons given by individuals for their business bankruptcies were:

28 ABS, *Small Business 1995–96*, pp. 145–146.

29 ABS, *Small Business 1995–96*, p. 147.

30 ABS, *Small Business 1999*, p. 101.

economic conditions lack of capital; lack of business ability; and high interest rates.<sup>31</sup>

- 5.23 It may be argued that business success is not simply an absence of failure, as measured above. The Employment Strategies Council told the Committee that:

...research shows that only about 3% of small businesses are truly successful, with 17% providing a reasonable result for their owners where they are at least maintaining the value of their assets, 40% are vulnerable in that their equity is steadily devaluing, 25% are at risk with their asset base rapidly eroding and 15% are at a critical stage in terms of survivability as their equity runs out or their positions become insolvent.<sup>32</sup>

- 5.24 Those planning to start a small business may forget that:

In common with any profit oriented enterprise, a small business is an activity that meets the costs of sales, pays its taxes, pays its employees their entitlements, sets aside funds for new or updated equipment or software, pays the proprietor a salary or equivalent, provides for a "reserve fund" for emergency/contingency situations and provides a return on investment at least equivalent to the return that can be reliably received from a secure investment (say around 20% before tax).<sup>33</sup>

- 5.25 The consequences of business failure can be even more devastating than loss of employment. Many owner-operators have limited access to retirement incomes and their financial security is dependent on their business.<sup>34</sup> For those who started a small business after losing their employment, business failure will leave them worse off than before, being once more unemployed but now often without their redundancy payments or sometimes, even their house or other assets.

- 5.26 The collapse of a small business, of course, will result in unemployment for any employees as well as the owner. A survey by the Business Council of Australia (BCA) indicated that many Victorian Job Network clients came from small firms:

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31 ABS, *Small Business 1999*, p. 103.

32 Employment Strategies Council, Submission no. 61, p. 6. Similar data came from the Brisbane South ACC, Submission no. 78, p. 7.

33 Employment Strategies Council, Submissions no. 61, p. 5.

34 OECD, quoted in DEWRSB, Submission no. 142, p. 38.



...about 30 per cent were from companies with more than 100 employees; 40 per cent, 20 to 100; and 30 per cent less than 20 employees. So 70 per cent are from pretty small companies...<sup>35</sup>

- 5.27 Retrenched people often make unwise decisions to buy themselves a job by starting a business with their redundancy package. As the Employment Strategies Council (Brisbane North) put it, in reality, 'few small businesses operate effectively'.<sup>36</sup> In the end, some may not have a business but merely 'a job', for which a substantial price was paid. Mr Mike Salkeld, from the South Coast Enterprise Centre, commented:

It never ceases to amaze me that, were I to suggest to a person that they place a \$20,000 bet on an even-money favourite in the fourth race at Randwick, they would dismiss me with disdain. However, I regularly see the result of people who have invested their superannuation or redundancy packages, often totalling more than \$20,000, on so-called business opportunities without having conducted adequate research or obtained appropriate business advice.<sup>37</sup>

- 5.28 It is clear from the above statistics that small businesses are particularly at risk of failure in their first two years, with the risk decreasing markedly the longer they manage to survive. Obviously, action to increase the survival chance of a small business should be taken either before the business is established or shortly afterwards. It is imperative that mature-age people facing loss of employment, who may be considering starting their own business, be adequately counselled concerning the opportunities and risks and what they should do to increase their chances of success.

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35 Kamener, Transcript, p. 807.

36 Employment Strategies Council, Submission no. 61, p. 5.

37 M. Salkeld, South Coast Business Enterprise Centre, Transcript, p. 870. Similar comments about the need to seek advice was made in Employment Strategies Council, Submission no. 61, pp. 5-6; DEWRSB, Submission no. 142, p. 39; W. Murray, Office of Seniors Interests, Transcript, p. 319.

## Reducing the risk of business failure

- 5.29 Outlining the risks involved in establishing a small business is not meant to argue that mature-age people should not consider this option. However, there are clearly matters which need to be addressed to increase the chances of success.
- 5.30 DEWRSB reported that there is little research information available on difficulties that are specific to mature-age people wanting to start a small business. However, obstacles identified for business starters in general include:
- a lack of business skills;
  - a lack of access to sufficient finance; and
  - a lack of relevant advice when the business is being planned or established.<sup>38</sup>

The Committee believes that unrealistic expectations of the market for their prospective products and services should be added to this list.

## The need for training

- 5.31 It was put to the Committee that many people who start a new business do not consider the need for training to acquire the specific skills involved. Ms Drazil, a former New Enterprise Incentive Scheme (NEIS) trainer and coordinator, commented that business management training is ignored by over 70 per cent of small business owners. 'They believe they know enough about business and the time is better spent in developing their business.'<sup>39</sup>
- 5.32 JobsEast commented that even people who are very technically proficient may well find their management skills inadequate, and emphasised the importance of management training and mentoring.

...I think that Australia would be well placed to look at some of those [overseas] programs and look at how we

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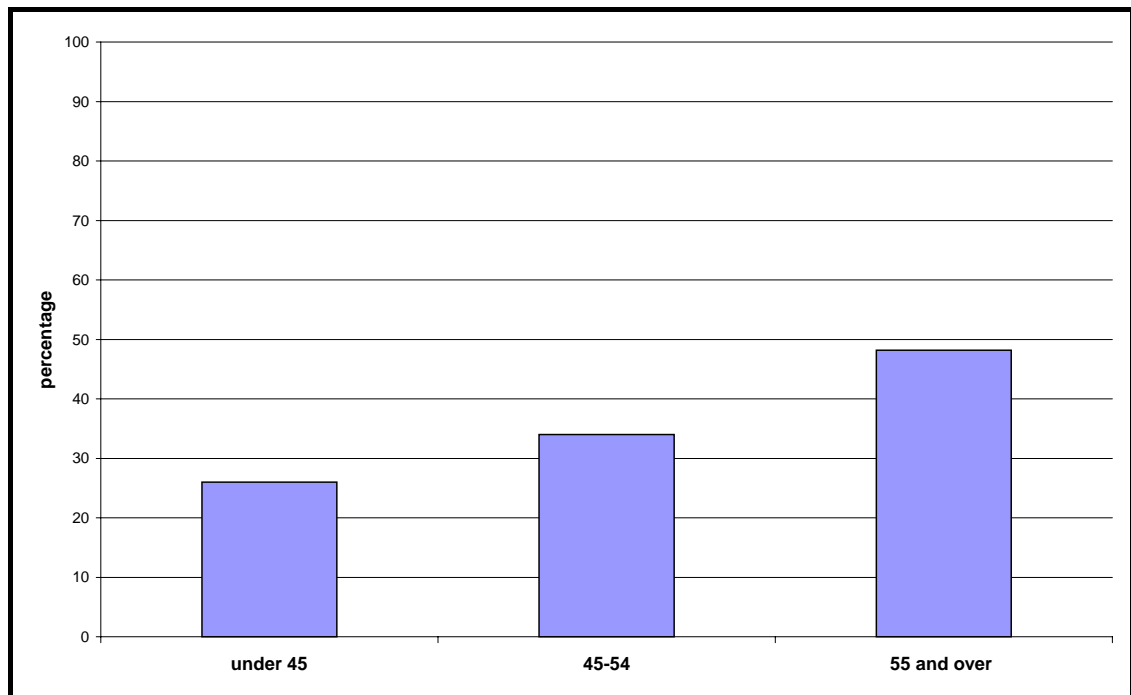
38 DEWRSB, Submission no. 142, p. 39. Similar comments were made by D. Back, *Success in Small Business—The Role of the Financial Adviser*, Longman Professional Publishing, 1985, pp. 26–32.

39 Drazil, Submission no. 101, p. 14.

set every small business operator up to succeed through good management skills.<sup>40</sup>

- 5.33 It was pointed out to the Committee that, in Germany, those intending to start a business have to undergo an accreditation process and some form of business management training before a business is registered.<sup>41</sup> Some suggested this should also apply in Australia.<sup>42</sup>
- 5.34 DEWRSB reported that there appears to be an increasing recognition by those operating new small-businesses, particularly mature-age people, that they need small business training.<sup>43</sup>

**Figure 5.2 Operators of new businesses with small business management training (by age) February 1997**



Source DEWRSB, Submission no. 142, p. 38.

- 5.35 As Figure 5.2 shows, mature-age people starting a new small business are more likely to have undergone small business management training than younger people. However, even in the mature-age group those who have received training still constitute less than 50 per cent. Training is vital to small businesses as many

40 L. Rolland, Transcript, p. 219.

41 Rolland, Transcript, p. 219.

42 Drazil, Submission no. 101, p. 3; Rolland, Transcript, p. 219.

43 DEWRSB, Submission no. 142, p. 38.

are competing for clients against medium and large organisations, whose staff are trained and experienced. For instance, people who wish to invest in franchises are provided with basic training by the franchisors so they are aware of the skills they are expected to have to be successful. Those who manage big businesses are required to demonstrate their skills and experience against selection criteria and to answer to boards and shareholders.

5.36 There is a disturbing lack of a training culture in small businesses as evidenced not only by the proportion of operators who have undertaken management training but also by the percentage of operators who have provided their staff with training. The ABS Small Business survey for 1997–98 found that only 55 per cent of small businesses provided some training to their staff in that year compared to 90 per cent of larger businesses.<sup>44</sup> Most of this training was on-the-job learning (75%) with only 38 per cent consisting of structured formal courses and 44 per cent seminars, workshops and conferences.<sup>45</sup> In contrast, 95 per cent of the training provided by larger businesses involved on-the-job training, 70 per cent involved structured formal courses and 70 per cent involved seminars, workshops and conferences.<sup>46</sup>

5.37 A number of submissions argued that an important benefit from a small business training course can be that it deters some people from going into business.

One of the performance indicators we had for it [the WA New Enterprise Scheme] was the number of people we stopped going into business because they were not suited. These were people who decided along the way, 'I can actually work in this business without starting it myself,' and went off to do that, or they decided that it was not going to work because, as they did the market research, they found there was no market for their product.<sup>47</sup>

5.38 For mature-age people considering establishing a small business following unemployment, the New Enterprise Incentive Scheme (NEIS) can help equip them with the knowledge and skills they need to make their business a success. NEIS is considered in more detail later in this chapter.

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44 ABS, *Small Business 1999*, p. 95.

45 ABS, *Small Business 1999*, p. 98. Some of the forms of training overlap.

46 ABS, *Small Business 1999*, p. 98.

47 Davies, Transcript, p. 245.

## Financial advice

- 5.39 The ABS *Characteristics of Small Business Survey* found that the number of mature-age people using their retrenchment payouts to start their own business had increased substantially.<sup>48</sup> Obtaining financial advice at the time of retrenchment is imperative since people may make inappropriate decisions about using their redundancy packages without sufficient regard for the impact on their retirement income. By the time people realise they are in difficulties, it may be too late.

## Access to working capital

- 5.40 Small businesses by their very nature usually start with a low capital base. A lack of sufficient working capital cripples many small businesses before they can become established. It was suggested to the Committee that venture capital, possibly by way of a 'start-up loan' should be made available for people setting up small businesses.<sup>49</sup> It was also pointed out to the Committee, however, that the amount of 'start-up' capital potentially required could be substantial, and that providing assistance to one person while another struggled on their own resources raised a question of fairness.<sup>50</sup>
- 5.41 The Brotherhood of St Laurence had also identified the problem of those with an apparently sound business idea not being able to proceed because of insufficient funds and mentioned they were examining the feasibility of providing 'micro business loans'.

We are looking at addressing this issue where a gap occurs because, for some reason, the person who has a really ideal scenario has not met all the criteria or has not got the collateral to be able to take out a loan...We are looking at ways of supporting those people and/or providing the collateral for them to be able to take out a loan under our scheme.<sup>51</sup>

- 5.42 The ACT and SA Governments both provide loans for new business starters who have undergone small business training. The ACT Government acts as a guarantor for a loan up to \$10 000.

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48 DEWRSB, Submission no. 142, p. 39 citing ABS, *Characteristics of Small Business* Cat. no. 8127.0, 1997.

49 SACOSS, Submission no. 91, p. 6; O'Neill, Transcript p. 138; Foster, Transcript p. 625.

50 V. Williams, Transcript, pp. 426–427.

51 Nightingale, Transcript, p. 179.

The scheme started in May 1999 with an exposure limit of \$500 000. To date all those with loans have been able to meet their payments.<sup>52</sup> The SA Government has a grant payment as part of its Self-Starter Program, providing up to \$3000 to eligible people who have completed NEIS training or the equivalent.<sup>53</sup>

- 5.43 Dr Marie Leech from Mission Australia highlighted the irony that those with sufficient assets are unable to get into the NEIS program to acquire the necessary business skills, while those able to get into NEIS are often unable to raise the capital.<sup>54</sup> The Committee is aware that those with assets could pay to attend business courses. Some NEIS providers charge up to \$3000 for the course.
- 5.44 The Queensland Government up until 1995, offered a self-employment venture loan run in conjunction with NEIS. However, the research into this loan system showed that the outcomes were no better than for NEIS recipients elsewhere in Australia. The loan program was found to be extremely difficult to administer and there was a high default rate with the loans.<sup>55</sup>
- 5.45 The 1999–2000 Federal Budget contained funds for three initiatives to help small business: the Small Business Enterprise Culture Programme, the Small Business Incubators project (under the Regional Assistance Programme), and the Indigenous Small Business Fund. Funding for all three programs has been continued in the 2000-01 Budget.

### **Bridging loans from superannuation**

- 5.46 The Committee sought the views of a number of Commonwealth departments about the possibility of allowing people who were starting a small business after being retrenched, to have partial access to superannuation for emergency purposes only, such as bridging loans.
- 5.47 Neither Treasury nor the ASFA supported this suggestion.<sup>56</sup> ASFA commented that the proposal was contrary to the principal purpose of superannuation as a fund for retirement, and would

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52 ACT Government, Exhibit no. 32.

53 C. Tuncks, Transcript, p. 351.

54 Leech, Transcript, p. 79.

55 B. Carlon, Queensland Government, Transcript p. 674.

56 Treasury, Submission no. 131.1, p. 2; ASFA, Submission no. 179, p. 5.

expose the individual to the jeopardy of losing their retirement savings in the event of business failure.<sup>57</sup> It is clearly important that people preserve financial security for retirement and the Committee accepts the advice from Treasury and ASFA.

## Business planning

- 5.48 It is essential for participants to assess small business risks and the opportunity costs in buying or starting up a new small business.<sup>58</sup> However, many small business people do not adequately assess those risks before establishing their businesses or use key management tools when operating them.
- 5.49 Brisbane South Area Consultative Committee (BSACC) reported the results of a survey of 51 small businesses which showed that only two had adequate planning and reporting systems. Many had little knowledge of key management functions.<sup>59</sup> ABS data offers a slightly more encouraging picture. In 1997, 21 per cent of small businesses had a written business plan and 91 per cent of these were operating from the plan.<sup>60</sup>
- 5.50 Business plans are difficult to construct if one is inexperienced. Projecting business development requires a sound business sense and an ability to read the market. It is therefore essential that training imparts the ability to create a sound business plan and to use it.
- 5.51 This section has identified how important it is, for those contemplating starting a business, before they invest their time, energy and capital, to:
- acquire specific business skills through training;
  - receive detailed financial advice; and
  - create a thorough business plan.
- 5.52 It is vital that those who are facing loss of employment be offered detailed counselling concerning the opportunities and risks of establishing a small business. This is particularly important for mature-age workers facing unemployment, since many of them

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57 ASFA, Submission no. 179, pp. 5–6.

58 P. Neill, Transcript, p. 133; T. Powers, Grow Employment Council Inc, Transcript, p. 104; J. Steinert, Transcript, pp. 385–386

59 Brisbane South ACC, Submission no. 78, pp. 9–10.

60 ABS, *Small Business 1995–96*, p. 89.

will receive redundancy payments and will be attracted to the prospect of investing those funds in a small business.

### **Recommendation 31**

- 5.53 **The Committee recommends that the Department of Employment, Workplace Relations and Small Business develop an information package for Centrelink to distribute to employees facing retrenchment, and to those who have recently been retrenched. It should outline and include:**
- **the risks of small business failure;**
  - **the need for specific training in small business management, and information about where such training may be received; and**
  - **the need for financial advice concerning the investment of redundancy payments, and concerning the establishment and running of a small business, and where such advice may be obtained.**

### **Recommendation 32**

- 5.54 **The Committee recommends that Centrelink require its case officers to emphasise to those registering for income support that financial advice is available and the importance of such advice for those who may be considering starting a small business.**

## **New Enterprise Incentive Scheme**

### **How NEIS operates**

- 5.55 **The New Enterprise Incentive Scheme (NEIS) provides a highly valuable means of training and advice for those who are unemployed and wish to start their own business. About 6000 are assisted through NEIS each year.<sup>61</sup> NEIS is delivered by NEIS providers, contracted to DEWRSB through the Job Network, with the capacity to provide small business training, advice and mentor**

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61 DEWRSB, Submission no. 142, p. 68.



support to participants.<sup>62</sup> The Committee is impressed with the NEIS program and believes that it should be expanded.

- 5.56 NEIS is available only to unemployed adults registered with Centrelink for full-time work and receiving income support. People are excluded from NEIS if they have been on a NEIS course in the previous two years, are extending an existing business or buying a franchise or an existing business, or are receiving the mature age allowance or the age pension.<sup>63</sup> Some NEIS providers, however, offer NEIS training for a fee and courses are also available through TAFE.
- 5.57 The proposed business must be independent, reputable and lawful and should never previously have been operated on a commercial basis. It should not duplicate an existing business unless there is a demonstrated, unsatisfied demand for the goods or service, or these can be provided in a new way. Finally, the proposed NEIS business has to demonstrate an ability to generate 'a net income at least equal to the basic adult rate of Newstart Allowance at the end of 52 weeks from commencement of the business.'<sup>64</sup>
- 5.58 Participants sign a NEIS Participant Agreement with DEWRSB and receive income support for up to twelve months while they establish their business.<sup>65</sup> The NEIS provider operates in a specified region, in accordance with written instructions from DEWRSB, to assist each participant to establish and run a viable small business. The provider must co-ordinate training, provide advice and counselling, and convene a NEIS Advisory Committee to assess NEIS business plans being developed. Quarterly milestone reports have to be written and income statements have to be collected at 26 and 39 weeks.<sup>66</sup>
- 5.59 The NEIS course consists of eight modules delivered over 200 hours of contact over six weeks by accredited trainers<sup>67</sup> followed by on-the-job training, with mentor support. Applicants

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62 DEWRSB, Submission no. 142, p. 68.

63 [http://www.dewrsb.gov.au/group\\_esm/neis/neisinfo.htm](http://www.dewrsb.gov.au/group_esm/neis/neisinfo.htm), 31 March 2000, p. 1.

64 DEWRSB, *Draft Contract*, Part E, 'Specific conditions for New Enterprise Incentive Scheme (NEIS)', Canberra, 1999, p. 56.

65 DEWRSB, Part E: 'Specific Conditions for NEIS', Canberra, 1999, p. 57.

66 DEWRSB, Part E: 'Specific Conditions for NEIS', p. 59; [http://www.dewrsb.gov.au/group\\_esm/neis/neisinfo.htm](http://www.dewrsb.gov.au/group_esm/neis/neisinfo.htm), 31 March 2000, p. 2.

67 Trainers must have attained Workplace Trainer Competency Standards, Category 2. [http://www.dewrsb.gov.au/group\\_esm/neis/neisc4.htm](http://www.dewrsb.gov.au/group_esm/neis/neisc4.htm), 31 March 2000, pp. 4-7.

may seek recognition of prior learning. At the end, participants gain a Certificate IV in Small Business Management (NEIS) under the Australian Qualifications Framework (AQF). The National NEIS Association monitors and evaluates the curriculum to ensure its relevance.<sup>68</sup>

## The Self-Employment Development (SED) program

- 5.60 A more limited version of NEIS called the Self-Employment Development (SED) program is also available. To be eligible for SED, clients must have been unemployed and in continuous receipt of Newstart Allowance or Youth Allowance for six months or more.<sup>69</sup> This gives participants a period of usually three months, during which they can develop their business idea instead of job seeking.<sup>70</sup> People who wish to purchase an established business or a franchise can access the SED program. However, SED does not provide the full range of support services that NEIS does.<sup>71</sup>

## NEIS mentors

- 5.61 Once a business is operating, the provider is required to make mentor support available and conduct viability assessments and income tests.<sup>72</sup> NEIS mentors and their support to participants during the first year of business operation is critical to the success of that venture. NEIS providers themselves can be mentors or they can recruit others. Mentors are obliged to work closely with participants and provide encouragement and advice about business organisation, finances and marketing.<sup>73</sup>
- 5.62 Mentors report to the NEIS provider on any follow-up action needed after each visit and recommend to the NEIS provider any additional training required to improve the viability of the business. The contract specifies a minimum of four visits, with one each financial quarter.<sup>74</sup> Some mentors will not visit more

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68 [http://www.dewrsb.gov.au/group\\_esm/neis/neisc4.htm](http://www.dewrsb.gov.au/group_esm/neis/neisc4.htm), 31 March 2000, p. 7.

69 <http://www.jobnetwork.gov.au/jnet/services/neis.htm>, 25 May 2000.

70 <http://www.jobnetwork.gov.au/jnet/services/neis.htm>, 25 May 2000.

71 W. Dear, Transcript, p. 218.

72 [http://www.dewrsb.gov.au/group\\_esm/neis/neisinfo.htm](http://www.dewrsb.gov.au/group_esm/neis/neisinfo.htm), 31 March 2000, p. 2.

73 [http://www.dewrsb.gov.au/group\\_esm/neis/neisinfo.htm](http://www.dewrsb.gov.au/group_esm/neis/neisinfo.htm), 31 March 2000, pp. 1–2.

74 DEWRSB, Part E, 'Specific conditions for NEIS', p. 59.

than the minimum times unless participants request more frequent visits. Even then, the mentor may not respond.<sup>75</sup>

- 5.63 As Mrs Marion Drazil told the Committee, small business problems can occur more frequently than the once-a-quarter visits required of mentors. NEIS participants need mentors to be more accessible. It is essential to have a source of advice when there are business concerns. Mrs Drazil emphasised to the Committee:

It is not only for problems, it is also for getting support which sometimes you do not get from your family or your friends or other people. ...once every quarter...is nowhere near enough. Certainly I would imagine that mentoring would be necessary once a month. That is how I see it—consistency.<sup>76</sup>

- 5.64 Mentor support is a critical part of the success of NEIS businesses. There is merit in having more frequent contact preferably face to face. The Committee acknowledges, however, that some mentors are volunteers who frequently have other demands on their time and may not always be available when required.

### **Recommendation 33**

- 5.65 **The Committee recommends that NEIS mentors visit their NEIS participants on a more frequent basis, perhaps monthly.**

- 5.66 A number of witnesses indicated that the support, advice and help from their NEIS providers and mentors left a lot to be desired. Ms Dorothy Foster said, 'I was left on my own to produce my business plan...I feel the follow-up we have had since then is not adequate.' She indicated that she was left to struggle though the financial part of her plan on her own as the financial mentor did not respond to her calls for advice. Ms Foster also said that she was told by her marketing mentor that her efforts were 'a load of rubbish'. She considered that she did not gain an understanding of either of these areas.<sup>77</sup> Mr Ben Grummels complained that his

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75 Foster, Transcript, p. 628.

76 Drazil, Transcript, p. 423.

77 Foster, Transcript, p. 628.

NEIS provider was ‘condescending, arrogant and patronising’ and did not appear to read his business plan properly.<sup>78</sup>

- 5.67 While the Committee accepts that in some cases NEIS providers and mentors may have been at fault, it is also possible that poor communication may have resulted in misunderstandings. The evidence presented came from the NEIS participants only.
- 5.68 The Committee is aware that sometimes those who are able to run a business themselves, may not have the necessary skills to be able to teach others the same skills. Business mentors assisting NEIS participants themselves may need training so they can provide better assistance.

### Recommendation 34

- 5.69 **The Committee recommends that NEIS providers be required to ensure that the mentors they select are trained in how to guide the NEIS participants effectively through the process of establishing and operating a business. Specific mentor training in communication and coaching is not only desirable but should be required.**

### NEIS outcomes

- 5.70 A number of witnesses referred to successful NEIS courses, where support services had been crucial to business success. For instance, Ms Alison Whish from the Port Pirie Central Mission said of the NEIS provider in that area:<sup>79</sup>

He is one staff member who works through that whole region and in the last three or four years, because of the 70 or 80 businesses he has supported to be set up through that region, many of those businesses are now employing a partner and a few part-time or other workers.

...this particular staff member puts a lot of energy into mentoring people in that first twelve months...That ‘troubleshooting’, that hand-holding, if you like, enables people to do it.<sup>80</sup>

78 Grummels, Transcript, p. 271.

79 A. Whish, Transcript, p. 390.

80 Whish, Transcript, p. 390.

- 5.71 Each year, about 6000 unemployed people participate in NEIS.<sup>81</sup> The NEIS program helps create an average of eight new jobs, in every ten successful NEIS businesses.<sup>82</sup>
- 5.72 DEWRSB claimed that its monitoring of NEIS participants three months after the end of support has shown 'positive outcomes' for 79 per cent over the last four years. The later figures presented in DEWRSB's submission (August 1999) were even higher at 82 per cent.<sup>83</sup>
- 5.73 A more useful measure of success, however, would be achieved if monitoring were repeated after a longer time period. The Committee believes a better assessment of NEIS outcomes would be possible if monitoring occurred not only at three months but also at six months, twelve months and two years after the end of support, given the failure rates discussed earlier in this chapter.

### Recommendation 35

- 5.74 **The Committee recommends that the Department of Employment, Workplace Relations and Small Business monitor the progress of NEIS businesses at three, six, twelve and twenty-four month intervals to better assess the outcomes of the program.**
- 5.75 DEWRSB reported that from July 1998 to April 1999, 22 per cent of NEIS participants were mature-age people. Positive outcomes are lower for older participants—by seven percentage points for those aged 45 to 54 and a further eleven percentage points for those aged 55 and over. DEWRSB did not provide reasons for the difference, but noted that the outcome rates are considered high compared with other labour market programs.<sup>84</sup> The Committee believes that the reasons for the lower outcomes rate for mature-age NEIS participants should be further examined, given the implications business failure has for a person who has previously been retrenched.

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81 DEWRSB, Submission no. 142, p. 68.

82 DEWRSB, Submission no. 142, p. 69.

83 DEWRSB, Submission no. 142, p. 69.

84 DEWRSB, Submission no. 142, p. 69.

### Recommendation 36

- 5.76 **The Committee recommends that the Department of Employment, Workplace Relations and Small Business examine why mature-age NEIS participants have lower positive outcomes than younger participants so that the NEIS program may be better tailored to suit their specific needs.**

### Further proposals to improve NEIS

- 5.77 A number of suggestions were made during the course of the inquiry about ways in which NEIS could be improved. One witness, Mr Denis Golding, suggested that the funding of NEIS participants should be extended to two years and that the capability of the NEIS providers in assessing the likely success of the proposed business ventures should be improved.<sup>85</sup> Most of the proposals for improvement involved changing the eligibility criteria in various ways.

### Extending NEIS to existing businesses and franchises

- 5.78 The NEIS program is not available to those who want to buy a franchise or an existing business. Both of those options, however, may entail a lower risk of failure. Franchisors usually provide training and some degree of support to franchisees. An existing business at least has a record of operation, which can be examined before it is purchased and may come with an established clientele.
- 5.79 The Committee asked key departments to comment on the desirability of extending NEIS to allow the purchase of a franchise or an existing business. DEWRSB opposed the extension on the grounds that NEIS was intended to generate new employment rather than encourage the takeover of existing businesses and that the intention was for the new business to be independent and not subject to 'external restraints or funds being channelled to franchise or parent companies'.<sup>86</sup>
- 5.80 The Committee was unconvinced by the arguments put by DEWRSB. The principal aim of the NEIS program is to encourage those who are in receipt of income support to become involved in a productive commercial venture and become self-supporting.

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85 Golding, Transcript, pp. 57–58.

86 DEWRSB, Submission no. 142.2, pp. 6–7.

The purchase of an existing business or a franchise could serve that end just as well as the investment of funds in a new business. It should not be presumed that the person from whom the existing business might be purchased is then likely to require income support.

- 5.81 Extending the eligibility criteria for NEIS, to include the purchase of existing businesses and franchises, could be carried out in two ways: the current level of funding for the program could be maintained, in which case competition for NEIS places would increase; or, increased funding could be provided for NEIS to accommodate the expansion in the number of possible applicants. The first option could mean that some of those who would have secured places under the current criteria might be excluded. It is not clear what the likely increased cost might be if the second option were chosen. The possible displacement effect and the possible funding implications need to be examined in order to help determine whether this proposal should be adopted.

### **Recommendation 37**

- 5.82 **The Committee recommends that the Minister for Employment, Workplace Relations and Small Business examine the feasibility of amending the eligibility requirements of NEIS to allow participants the option of buying a franchise or an existing business.**

### **Extending NEIS to those not eligible for income support**

- 5.83 Both NEIS and the Self-Employment Development (SED) program are available to those who are registered with Centrelink for income support. Some Job Network providers deliver NEIS training to people who are not eligible for NEIS, at a subsidised rate. Similarly, some NEIS providers offer training for a fee to people not eligible for NEIS. Institutions such as TAFEs also provide small business training, similar to that provided to NEIS participants, on a fee-for-service basis. A few witnesses suggested that the NEIS program should be made available to all who wish

to start a business.<sup>87</sup> Others argued that the eligibility criteria should be relaxed at least for the mature-age unemployed.

- 5.84 Mission Australia argued that mature-age people are disadvantaged because many of them have received modest retrenchment packages or have other assets, making them ineligible for income support. It suggested to the Committee that 'a NEIS type package could be made available to over-45s' ineligible for income support.<sup>88</sup>
- 5.85 An example of a Job Network provider delivering NEIS training to those who are not eligible for NEIS at a subsidised rate is the Port Pirie Central Mission which uses additional funds obtained from the Regional Development Board.<sup>89</sup>
- I think that is an important aspect, that people who are not necessarily eligible because of their income level, not because they are high-income earners but just because of other eligibility considerations, should be able to get access.<sup>90</sup>
- 5.86 People with assets have the option of purchasing NEIS-like training where it is available, for example at the TAFE institutes, although this does not provide the mentoring that NEIS provides. The Albury-Wodonga ACC told the Committee that some organisations such as Business Enterprise Centres (BECs) conduct small business seminars at a cost of around \$240.<sup>91</sup> The Albury-Wodonga BEC offers NEIS training in its area for \$3000.<sup>92</sup> However, these programs are not common or widespread.
- 5.87 NEIS is a relatively expensive program targeted at those most in need of support to establish a viable business. Those who have redundancy assets do have other means of obtaining business training. Extending NEIS to people with assets would raise an equity issue. As DFACS commented, such a change might provide these people with an unfair advantage over those running existing businesses or setting-up a business without NEIS support.

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87 M. Leech, Transcript, p. 78; Belconnen Employment Solutions Taskforce, Submission no. 111, p. 18; Albany Employment Development Committee, Submission no. 95, pp. 16, 18; COTA, Submission no. 109, p. 26.

88 Leech, Transcript, p. 78.

89 Whish, Transcript, p. 390.

90 Whish, Transcript, p. 390.

91 Albury-Wodonga ACC Submission no. 114, p. 15.

92 Albury-Wodonga ACC Submission no. 114, p. 15.



- 5.88 Those who are not eligible for NEIS are still able to receive a substantial amount of advice through the Commonwealth funded Business Entry Point. It is an important starting point for those contemplating setting up their own business. In addition, there are business startup kits tailored for each State and Territory.<sup>93</sup>

### Language training

- 5.89 The Indo-Chinese Employment Service claimed that the NEIS program is too difficult for some mature-age Indo-Chinese participants because of English language problems. The Service recommended that NEIS be expanded to include an ESL component as an integral part of the business training.<sup>94</sup>
- 5.90 When asked about this suggestion, DEWRSB responded that the focus of NEIS is on job seekers with new business ideas not on those from particular groups. DEWRSB pointed out that job seekers from non-English speaking backgrounds are represented among the NEIS participants in the same proportion as they are among those registered with Centrelink.<sup>95</sup>
- 5.91 In the second tender round in 1999, NEIS providers had to consider the ‘characteristics of local labour markets and demonstrate a capacity to help, and to communicate effectively with’ those from non-English speaking backgrounds, if they comprised 10 per cent or more of eligible job seekers. The tenders had to include specific strategies to serve such clients.<sup>96</sup> In addition, there are other programs which job seekers from non-English speaking backgrounds could undertake before they enrol in NEIS.
- 5.92 The Committee believes that while language needs can be addressed by going to ESL classes, NEIS participants from non-English speaking backgrounds may still need help in understanding Australian cultural and business mores, and accounting and taxation provisions. DEWRSB should monitor how effectively NEIS providers deal with such clients.

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93 <http://www.business.gov.au/documents/>, 31 March 2000.

94 Indo-Chinese Employment Service, Submission no. 64, p. 3.

95 DEWRSB, Submission no. 142.2, p. 6.

96 DEWRSB, Submission no. 142.2, p. 6.

## Promoting the businesses of NEIS participants

- 5.93 New businesses established by NEIS participants face a major task in marketing themselves to potential customers or clients. This can be a substantial hurdle that must be overcome if the business is to survive. The Committee explored the feasibility of developing a directory of new NEIS businesses to help them in marketing their products or services.
- 5.94 DEWRSB stated that such directories have been produced from time to time at a local level, but their usefulness has been limited by factors such as the need for frequent updates. The usefulness of these directories has not been evaluated, but DEWRSB indicated it is examining the level of interest in using them as a marketing tool.<sup>97</sup>
- 5.95 DEWRSB also sounded a note of caution. A special directory of new small businesses 'could inadvertently work to signal, "I'm a very new business, I'm new around here and I might not be here next year"'.<sup>98</sup> A directory could possibly have a negative effect as well as a positive one.
- 5.96 DEWRSB's comments and its undertaking to examine further the feasibility of a NEIS directory have been noted by the Committee. The Committee believes there is potential to promote new NEIS businesses in simple ways and to tap into a vein of goodwill that exists in the community in order to help them. The Committee will be interested in reviewing with DEWRSB the result of its examination.

## Other small business programs

- 5.97 The Business Entry Point on the internet, established by the Commonwealth Government in partnership with State, Territory and local governments brings together a wide range of general information for those starting a new business. It 'provides access to resources from approximately 50 Commonwealth Government agencies, 100 State and Territory Government agencies, and 125 industry associations'.<sup>99</sup> A range of information is also

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97 DEWRSB, Submission no. 142.2, p. 13.

98 Yates, Transcript, p. 920.

99 Available over the Internet at [www.business.gov.au](http://www.business.gov.au) and via a hotline phone no. 13 28 46. DEWRSB, Submission no. 142, p. 67.

available to small business operators through the DEWRSB internet business site, enabling them to find out about assistance programs and advice facilities, and about taxation and workplace relations changes.

## Commonwealth programs

- 5.98 The Commonwealth Government has endeavoured to reduce business failures generally by providing programs to help people who wish to start a new business. The 1999–2000 Budget contained funds for three initiatives to help small business: the Small Business Enterprise Culture Programme, the Small Business Incubators project (under the Regional Assistance Programme), and the Indigenous Small Business Fund. Assistance provided under these initiatives include skills development, advice, premises and services.<sup>100</sup> Funding for these programs was continued in the 2000–2001 Budget, which also established the Retail Grocery Industry Ombudsman Scheme to improve the operation of the small business retail grocery sector.<sup>101</sup>

## State/Territory programs

- 5.99 A number of State/Territory programs exist to assist those wanting to start a new business. This section does not provide comprehensive information about the various programs available in each of the States and Territories. That information can be obtained from State/Territory government advisory services and through the Business Entry Point internet site previously mentioned. The small business advisory services offer free information, advice and referral services during the planning and set-up stage of small business.<sup>102</sup> A couple of State/Territory governments also offer assistance with venture capital.
- 5.100 The ACT Government is the only government to offer a business program, *New Future in Small Business*, that specifically targets mature-age retrenched people from the public sector not eligible

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100 DEWRSB, Submission no. 142, pp. 67–68; <http://www.dewrsb.gov.au/smallBusiness/programs/...>, 18 May 2000.

101 Treasurer, *Budget Measures 2000–01*, Budget Paper No. 2, 9 May 2000, p. 75.

102 These include Small Business Advisory Services in NSW, Small Business Victoria, the Department of State Development in Qld, Business Tasmania, the Small Business Development Corporation in WA, The Business Centre in SA, Business Support Unit in the ACT and the Territory Business Centre in the Northern Territory. Source: [www.business.gov.au/documents/dir17/doc500117.htm](http://www.business.gov.au/documents/dir17/doc500117.htm), 25 May 2000.

for NEIS.<sup>103</sup> The ACT Government allows people not on benefits to participate in its *New Future in Small Business* program at a cost of \$1800 for employed people.<sup>104</sup> After graduating from the program, clients can access more general assistance programs. An unsecured loan of up to \$10 000 is also available at concessional rates, through the *New Enterprise Loan Guarantee Scheme*.<sup>105</sup>

- 5.101 One of the earliest of the State support initiatives was the establishment of the NSW Business Enterprise Centres (BECs).<sup>106</sup> Forty-nine BECs are in operation. An example is the South Coast BEC which operates in the shires of Cooma-Monaro, Snowy River, Bombala, Eurobodalla and Bega Valley as well as the ACT and Queanbeyan, with an annual turnover exceeding \$5 million and over 160 employees.

As well as being the BEC, we are a group training company, a Job Network contracted provider, a retail skills centre and, until March of this year, we also operated as an Internet service provider.<sup>107</sup>

- 5.102 The State/Territory support services also run small business websites, which provide information. In NSW, for instance, an On-line Innovation Service gives advice and assistance to innovators and a 'virtual exhibition' centre where products can be displayed. WA is aiming to improve access to online business training through the internet, to make it more accessible, particularly in rural areas.<sup>108</sup>

- 5.103 The NSW Government also funds Women in Business Mentor programs in Sydney, Greater Western Sydney, Lismore, Tamworth and the Hunter. Since 1995, over 420 women have participated. An Aboriginal Business Link Program in NSW helps Indigenous people with marketing, participation in trade shows, and with links to other business assistance programs.<sup>109</sup>

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103 ACT Chief Minister, Transcript, p. 469.

104 E. Young, ACT Government, Transcript, p. 481.

105 ACT Government, Exhibit no. 32.

106 NSW Government, Submission no. 128, p. 9.

107 Salkeld, Transcript, p. 869.

108 L. Davies, Transcript, p. 245.

109 NSW Government, Submission no. 128, pp. 9–10

## Awareness of government programs

- 5.104 Despite the existence of the Business Entry Point on the internet, there appears to be a lack of awareness of government programs to assist those wanting to start a small business.
- 5.105 In 1998 the Micro Business Consultative Group reported an inability of micro businesses to easily access government information, including that about programs and services.<sup>110</sup> The group recommended that governments should prepare directories containing key contacts to enable micro and small businesses to obtain information readily. It also urged the development of a one-stop shop for information and service delivery.<sup>111</sup>
- 5.106 Government internet sites for small businesses are reasonably informative and easy to use, at least for those who are computer literate, have ready access to a computer and are familiar with the internet; but there are many people who do not have either access or the skills to make full use of that information source.
- 5.107 The 1996 Business Longitudinal Survey found that less than 7 per cent of micro businesses made use of government programs compared to more than 61 per cent of firms employing more than 500 people.<sup>112</sup> Those less than two years old were most willing to access these support programs.<sup>113</sup> 'In general, less reliance was placed on government small business agencies and business consultants than other advisory sources' such as accountants, banks and others in business.<sup>114</sup> More consulted family or friends (almost 40%) than consulted government small business agencies (just over 10%).<sup>115</sup> It may be that lack of information about the services provided by government agencies is responsible for this comparatively low level of use by micro business operators.
- 5.108 The Committee found during the course of its public hearings that there is a level of confusion evident among job seekers about where to go for additional information about self-employment.

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110 Micro Business Consultative Group (MBCG), *Under the Microscope*, February 1998, pp. 18-19.

111 MBCG, *Under the Microscope*, p. 21.

112 DEWRSB, *A Portrait of Australian Business, Results of the 1996 Business Longitudinal Survey*, Commonwealth of Australia 1998, p. 42.

113 DEWRSB, *A Portrait of Australian Business, 1996 Survey*, p. 42.

114 DEWRSB, *A Portrait of Australian Business, 1996 Survey*, p. 43.

115 DEWRSB, *A Portrait of Australian Business, 1996 Survey*, pp. 42-43.

Even when people are aware of the existence of support services, they may not have an accurate idea of the nature of the services or the conditions required in order to qualify.

- 5.109 Mission Australia indicated that Centrelink and 'word-of-mouth' are important channels for NEIS information but that very little advertising of the NEIS program seems to be carried out.<sup>116</sup> Information about the NEIS program and other government programs clearly needs to be more widely disseminated.
- 5.110 The Committee believes that DEWRSB should examine its information dissemination processes so that comprehensive information about NEIS and other small business assistance programs is more easily available, in written form and on the internet. In addition, the departmental internet site should be clearly linked to the Business Entry Point.<sup>117</sup>

### **Recommendation 38**

- 5.111 **The Committee recommends that the Department of Employment, Workplace Relations and Small Business examine its information dissemination processes to ensure that comprehensive information is more easily available about NEIS and other small business assistance programs.**

**The Committee further recommends that the Business Entry Point on the internet provide an easy-to-find link to information about the NEIS program.**

## **Conclusion**

- 5.112 In spite of the risks involved, many mature-age people choose to start a small business after experiencing loss of employment. The risks of failure are considerable and the consequences can be very severe. Two submissions argued that only 3 per cent of small businesses are truly successful.
- 5.113 In order to reduce the risks, training in business management is, at the very least, highly desirable. Unfortunately, as the statistics show, too few of those starting small businesses, at any age,

116 Leech, Transcript, p. 79.

117 The Business Entry Point at <http://www.business.gov.au/>, 31 March 2000.

undertake business training before they place their capital at risk. The NEIS program has been successful in introducing those unfamiliar with starting a business to the managerial and financial skills required. It should be expanded to fund more than the current 6000 participants per year. The Committee has recommended that the extension of the program to those buying a franchise or an existing business be examined.

- 5.114 The work of mentors is very important to the success of NEIS. Mentors should visit NEIS participants more frequently, perhaps monthly, and should receive specific training in communicating with, and coaching participants.
- 5.115 There appears to be a considerable degree of confusion in the community about how to access information about Commonwealth and State/Territory programs to assist small business starters. Less than 7 per cent of micro businesses, for example, make use of such programs. Clearly more effective efforts need to be made by DEWRSB and their State and Territory counter-parts, in disseminating that information.
- 5.116 The Committee recognises that small business may seem an attractive option to some mature-age workers who have been retrenched or made redundant. For some, such a course will be successful, but for many it will lead to failure and loss of assets.

