

Submission to Senate Committee enquiry

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Introduction This submission is based on experience gained over the last twelve years as a small business operator, business coach and small business advisor, business incubator manager, NEISAC participant and Master Franchisee for 15 Worldwide Online Printing franchisees in S/E Queensland.

In particular it addresses Terms of Reference numbers 2 & 4 and proposes initiatives to:

- Confirm the conclusions drawn from anecdotal experience;
- and if proven develop a program to increase business skills accordingly

Background Engaging an employee is an enormous step for a small business. It increases overheads dramatically and requires the business to comply with numerous acts and legislation.

Many small business operators have little or no experience of recruiting, supervising and managing employees. In previous occupations they may have had interaction with their immediate supervisor or manager but few have training, either formal or job specific, in 'hiring & firing' and the many associated areas.

Anecdotal evidence in the small business sector (1-5 employees) suggests that too often the decision to employ someone is made with little consideration given to a range of issues that impact on an effective *employer – employee* relationship. These issues can be broadly categorised as:

Industrial relations

- The relevant award and conditions
- Workplace agreements

Management

- Whether the business's trading level will continue to sustain continuation of employment
- Detailed job descriptions for the new employee and existing employees (including the owner)
- How the employee will be managed and supervised
- A recruitment process
- An induction process
- An appraisal process
- On going development of the employee's skills
- Delegation skills

The employee

- What skills are required in the employee
- Exactly what the employee is expected to achieve
- Whether a trainee could fulfil the role

In many instances the decision to employ has been impulsive because the business gets too busy and a job is offered to a relative, a friend, a mate or a mate of a mate.

Even where a position has been advertised and the business owner intends to select from a group of applicants there is ample evidence to suggest that many of the above issues are not considered.

At best the lack of consideration of these issues provides a shaky foundation for an effective *employer – employee* relationship.

When the *employer – employee* relationship sours or fails, the failure is usually blamed on the employee:

- Not motivated enough

- Not reliable

In addition to these management issues compliance requirements mean that a small business operator must become 'expert' in regard to a wide range of compliance issues including:

- Work Place Health and Safety

- WorkCover

- Superannuation

- Discrimination

- Harassment

- Awards

- Workplace agreements

- Pay As You Go taxation

Non compliance exposes the operator to penalties and potential litigation.

Barriers and constraints to engaging more employees Consequently these management and compliance issues combine to present many barriers and constraints to increasing the successful placement of employees (trainees, apprentices etc) within the small businesses sector (1-5 employees). These barriers and constraints include:

- A previous bad *employer – employee* experience

- Reluctance to employ as the 'system' appears too daunting

- Reluctance to employ as the operator is not confident

- Not aware of assistance available – eg Job Network

- Not aware of the benefits of trainees – eg Group Training

- A perception that it is a waste of time training someone as the trainee will leave and go to the opposition

The management and compliance issues become barriers primarily because most small businesses are not *employer–employee ready*.

Business operators need to become *employer–employee ready* To be *employer–employee ready* small business operators should:

- Understand their responsibilities as an employer
- Understand compliance responsibilities
- Have a recruiting process
- Have job descriptions for the new and existing employees (including the owner)
- Have an induction process
- Have a pre-set review program for the probationary period
- Have an on going appraisal process
- Understand the relevant award/ enterprise agreement
- Complete new supervisor/management training
- Develop delegation skills
- Understand trainee options
- Understand Job Network assistance

Recommendations

Research proposal Conduct a pilot research project within an area of GBACC which offers a broad cross section of small businesses (1-5) employees to:

- Confirm the anecdotal evidence - business operators not being *employer-employee ready*
- Measure the percentage of small business that are not *employer-employee ready*
- Measure the percentage of non *employer-employee ready* businesses that are willing to become *employer-employee ready* eg participate in an skills development program
- Determine the scope, format, content and delivery method of an effective business skills development program for small business operators to assist them to become *employer-employee ready*
- Determine the potential for the placement of additional employees and trainees with business operators completing the business skills development program

Methodology Conduct one on one interviews and focus groups with a number of small business operators in selected industry sectors – retail – light industrial – service industry etc. Interviewees could be sourced from Job Network providers and the small business community at large.

Business Skills Development program Develop and implement a Business Skills Development program If research confirms anecdotal evidence that there is substantial scope to encourage and increase placement of employees (trainees & apprentices) by developing *employer-employee ready status* amongst small business operators.

This program could develop workshops and mentoring for business operators engaging their first employee or first additional employee under the program. The program would have to be multi disciplined to provide advice across the range of 'employee' issues. The program could include:

- Workshops
- Kit and resources guide
- Assistance with recruitment
- Assistance with appraisals
- With holding tax (PAYE)
- Compliance issues

Implementation

This concept could be implemented by Job Network providers or TAFE.