



SUBMISSION TO THE SENATE EMPLOYMENT, WORKPLACE RELATIONS
AND EDUCATION REFERENCE COMMITTEE

INQUIRY INTO SMALL BUSINESS EMPLOYMENT

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Senate Employment, Workplace Relations and Education Reference Committee

This submission is focused on Items 2 and 4, of the Terms of Reference, which cover:

- *The special needs and circumstances of small business and the key factors that have an effect on the capacity of small business to employ more people*
- *Measures that would enhance the capacity of small business to employ more people*

Brief Background

The Gold Coast City Council (GCCC) was formed as a result of an amalgamation of the former Albert Shire and Gold Coast City Council boundaries in 1995. Today the GCCC is the second largest local government authority in Australia and is responsible for what has been the fastest growing region in terms of population for over two decades.

The Economic Development and Major projects Directorate (EDMP) of Council was formed in 1995 after amalgamation. The prime objective of this Directorate is to broaden the economic base of the City, lessening the dependency on the tourism and construction industries and to increase quality employment opportunities for City residents. Currently the Directorate has a staffing complement of 41 people who have qualifications across a variety of professions including business, town planning and engineering. The formation of the Economic Development and Major Projects Directorate is a recognition by Council of a commitment to putting in place a proactive economic development agenda for the City.

Strategies have been put in place by the EDMP Directorate to achieve these economic development objectives. A focus has been placed on providing support to the existing business base to ensure its profitable growth and the implementation a new business attraction program. Council's Economic Development Strategy is based on the development of 8 key industry sectors in the City: Education and Training, Information and Communication Technology, Marine, Food, and Film/Multi Media (Creative Industries), Health and Medical, Sport and Environment. The thrust of this economic development strategy has been towards the attraction and support of knowledge based industries.

As an integral catalyst of the strategy, a Regional Economic Development Advisory Committee (REDAC) was established some years ago comprising high profile, respected business and government representatives able to provide high level industry advice to Council officers.

Item 2 The special needs and circumstances of small business and the key factors that have an effect on the capacity of small business to employ more people

In March 1998 the number employed by Gold Coast small businesses was 4.5% of the total of those employed in small businesses nationally and 23.4% of the total employed in small businesses in Queensland.

Notwithstanding the large number of small businesses in the region, in 1996 the average annual revenue for Gold Coast small businesses was just 41% of the national average for businesses of equivalent size. This apparent underperformance may have resulted from the comparative inefficiency of the Gold Coast marketplace resulting from a low number of other employment opportunities for the owners of these under performing businesses. This may have left those operators with an under performing business to persevere, rather than seek employment elsewhere. Therefore, key segments of the Gold Coast marketplace were, and remain hyper competitive.

Historically, a key element of Gold Coast employment has been a disproportionate reliance on just a few industries: Construction; Property and Business Services; and Retail Trade. The key driver for those industries has been the region's attractiveness to domestic and international tourists. For small businesses, that reliance is also apparent, with 17.6% of the total number of those employed by Gold Coast small businesses being in Construction, 17.4% in Property and Business Services and 18.9% in Retail Trade: 53.9% in total. Much of the employment in those industries has been casualised, and approximately a quarter of the businesses are non-employing.

Research conducted over several years has identified a number of key factors that have had an effect on the capacity of small businesses to employ more people in the region. They include:

- Business underperformance with resultant tight cash positions and a consequential lack of willingness by many owner-operators to commit to a long-term investment in people;
- The impact of the seasonal nature of the tourist market on related businesses;
- A paucity of 'higher order' management skills amongst small business owner-operators, especially in business planning (less than a quarter of small businesses on the Gold Coast have a business plan), marketing, financial and human resources management.
- Anecdotal evidence also suggests that other factors also play a part, including: uncertainty associated with 'unfair dismissal' laws and the resulting tendency for many small business operators to hire casual labour in favour of full-time or permanent part-time labour;
- Cash shortfalls associated with inflexible group tax and GST collection processes; and
- The exclusion of many businesses from state and federal government grant systems, which may play a part by limiting product research and development and thereby the commitment of owner-managers to incur the strategic employment costs associated with innovation.

Key success factors identified from the research into Gold Coast businesses include the ability of a business to trade beyond the region, having the owners/operators actively participating in business planning when provided with the opportunity, the presence of multiple owner-operators in a business, and being able to clearly differentiate the products of a business from those of its competitors.

ITEM 4 MEASURES THAT WOULD ENHANCE THE CAPACITY OF SMALL BUSINESS TO EMPLOY MORE PEOPLE

Whilst continuing to recognise the ongoing importance of tourism to the region, the Gold Coast City Council has in recent years been working to facilitate the development of emerging industries to help balance the employment mix. Particular attention has been given to the facilitation of industry clusters, which will be explained in more detail later.

Also hard infrastructure such as the development of the Pacific Motorway linking Brisbane and the Gold Coast has recently been added, that facilitates access to skills in the Brisbane to Gold Coast corridor. Other infrastructure such as a single line passenger rail link from Robina to Brisbane has also opened up access for employees in this Brisbane - Gold Coast corridor. The impact of that infrastructure on the region's employment is unknown and that too needs further study. It should be noted that the provision of transport infrastructure remains a critical issue for Gold Coast residents with a number of areas in the City poorly serviced and population growth continuing to outstrip the capacity/access of existing transport infrastructure.

Facilitating Access to Extra-Regional Markets

A key success factor for small business operators is the ability of a business to trade beyond its region. Therefore, those operators whose businesses have the ability to market themselves in other regions should be encouraged and supported. Of course, this is a two-way street, and businesses from other regions will undoubtedly see opportunities to reciprocate. However, such an expanded engagement in inter-regional trade is thought likely to benefit businesses from all participating regions by boosting innovation and operational efficiency.

Skills Development

Low cost (in terms of both time and money) access to skills development programs for small business owners and operators is seen as essential if their businesses are to reach full potential. However, skills development should not be limited to formal courses; rather, a structured mentoring program would put experience in close contact with inexperience. Such a program could be supported by governments through the provision of dollar for dollar grants for the purpose.

Particular emphasis should be placed on the development of those higher order skills identified from the research in small business undertaken to date: planning, marketing, financial and human resources management and Mentors. These skills could be drawn from panels of experienced business people and vetted consultants who could be encouraged to participate by a combination of cost recovery/limited financial gain and public recognition.

GOLD COAST INDUSTRY CLUSTERS - AN INITIATIVE TO ENHANCE EMPLOYMENT OPPORTUNITIES FOR SMALL BUSINESS

Council's Economic Development and Major Projects Directorate has taken an industry focus rather than an individual firm focus and strategies implemented by the Directorate reflect this industry approach to economic development in the City. In this context, a clustering approach has been taken to encourage individual organisations/firms to join a local industry Association or Forum. A range of reasons can be advanced to justify the development of a cluster within an industry sector, an example being:

To stimulate organisations, even competitors to form alliances and combine their capabilities to succeed in business activities that would not be possible by acting alone. To develop the things they have in common and to act as a spokes entity for the industry.

As part of the program developed to encourage the formation of these industry clusters, an initial focus was placed on the Education and Training sector and Information and Communications Technology (ICT) sector. Industry organisations were invited to initial meetings leading to the establishments of Committees and eventually incorporation as non-profit companies. Subsequently, further success has been achieved in the City with the formation of a Marine Industry Association, a Food Manufacturing Forum, a Sports cluster and an Environment Industry cluster.

As part of its support strategy, Council is providing ongoing funding (financial and in kind) to assist with the establishment and running of the industry associations and to assist these groups in developing and implementing projects and initiatives to further develop their sectors in the City. Export success has been an important initial target for several of these clusters (eg Education and ICT clusters) and Council through its International Business Development Program has assisted with funding to encourage industry members to participate in international events.

As noted earlier Gold Coast City Council's Economic Development Strategy (EDS) outlines support for eight key industries. These being;

1. Education
2. Information Technology and Communication Industries (ITC)
3. Sport
4. Environment
5. Film and Creative Industries
6. Food
7. Marine
8. Health and Medical

Council's funding program to these industries is based on a collaborative industry/Council/government funding model to ensure that maximum value is delivered by Council funding. Key Performance Indicators relating to funding provision are placed on industry networks receiving Council funding to ensure that this funding is expended in an appropriate manner.

By encouraging and supporting these industry associations Gold Coast City Council is able to provide a benefit which flows down to industry members, the majority being small businesses with less than five employees. A high proportion of these do not have the resources or time to become aware of the **range of grants which are provided by Federal government** departments. To assist in this awareness development of government programs (State and Federal) Economic Development Branch officers identify and communicate the availability of suitable grant schemes to industry associations and if there is interest in these programs to then act in a facilitating role to progress applications for funding. To date there has been considerable success from these facilitation efforts.

A number of these successful projects are briefly described hereunder:

The Education and Training Network

The Education and Training Network was incorporated in 1996, and currently has 75 members. The Network was successful in securing funding from all levels of government between 2001-02. The Commonwealth Government awarded the Network \$100,000 from the Regional Assistance Program in 2001/02 while Gold Coast City Council committed \$100,000 towards the Network's Business Plan and \$50,000 as support towards the CRC in Education. The Education and Training Network is currently waiting on confirmation of \$115,000 in funding assistance from the State Government.

Gold Coast Region Information Technology Forum

The Information and Communications Technology industry is supported by the Gold Coast Region Information Technology Forum (GCRITF), and the new initiative, eWomen. GCRITF is a network of people and organisations that are involved in, use or service the ICT industry on the Gold Coast. Since becoming an incorporated association in May 1998, the Forum has approximately 300 members and been successful in securing various sources of funding, including \$80,000 from the Commonwealth Government's Regional Assistance Program during 2001/02. The RAP program funded a 12 month cluster development program that involved support for monthly meetings, export development, cooperative marketing and case study development.

eWomen was formed in 2000 to foster the active participation of women in information technology, both professionally and personally. This initiative is part of the GCRITF. eWomen has been recognised as an integral part of the city's innovative ICT industry and in 2001/02 was successful in securing \$12,000 from I Star (State Government).

Gold Coast Food Forum

The Gold Coast Food Forum was incorporated in 2000, and currently has 120 members. During 2001/02, the Food Forum received \$56,000 in Regional Assistance Funding from the Commonwealth Government's Area Consultative Committee and a \$10,000 grant from the Gold Coast City Council. The Food Forum has used the \$56,000 to develop the 2002 - 2008 Strategic and Marketing Plan for the Gold Coast Food & Beverage Producers. The plan focuses on three key priority areas and strategies are currently being implemented.

Gold Coast Marine Industry Association Inc.

The Association became incorporated in March 2002 and currently has 52 paid up members from a variety of marine industry sectors including boat building, marina operations, marine component manufacturers and providers of professional services such as naval architects. On behalf of this Association [prior to its Incorporation] Council together with other interested parties such as the Queensland State Government [several departments] and members of the marine group, developed an application for the implementation of a Marine Industry Training Needs Analysis to ensure that the growth of the industry was not constrained by lack of skilled labour and to encourage quality job opportunities for local residents. Working closely with the Gold Coast and Region Area Consultative Committee, the application for Regional Assistance Funding was submitted and was successful with funding of \$16,500 approved. Gold Coast City Council \$5000 together with substantial in kind support. In kind support was also provided by the Queensland Government's Department of State Development.

There are likely positive future outcomes in regard to skills training from this project but other flow on opportunities have also emerged. One question in the study asked the small business owners whether they considered that they needed business training to improve their capacity to manage their firm. A strong majority answered in the affirmative and named areas such as: management training, technology skills, business planning, supervisory skills, sales and marketing, financial

planning/accounting etc. To address these needs a search was made of other Federal grant programs and one has been identified. This is the AusIndustry Small Business Enterprise Culture Program, which aims to foster the development of small business by developing the business skills of small business owner/managers. It is intended to make an application for this in conjunction with the Gold Coast Marine Industry Association.

Surf Industry Cluster

The Gold Coast City Council, the Department of State Development and the local industry have formed a Surf Industry Cluster with the intention of implementing initiatives outlined by the industry stakeholders. The group was established to assist the industry recognise its potential as a major competitor on the global market. In doing so take advantage of the Gold Coast's recognition as one of the world's leading surfing destinations and as a national leader in manufacturing and distributing surfboards.

The Gold Coast City Council has been successful in obtaining \$30,000 through the Regional Assistance Program to develop a "Surf Industry Development Program".

This funding program is administered by the Regional Area Consultative Committee and is designed to generate employment in metropolitan, regional and remote Australia by encouraging business and communities to take action to boost business growth and create sustainable jobs. It also provides seed funding for innovative, quality projects of value to the community.

It is intended that the Surf Industry Development Program will identify opportunities to address areas of concern such as environmental eg clean air manufacturing, disposal of waste and sufficiency of skilled employees.

Communicating with the clusters

It is important to ensure that the data base of organisations within each Forum or Association is kept up to date in order to ensure ongoing communication in a timely manner. Already, several of the groups use e newsletters to update members of events, government grants and industry assistance programs. The updating task is a challenge and the plan is that this will be implemented by an annual survey by email whereby the individual organisations are shown the information on them contained in the data base and asked if there are any changes, to make them direct. This process will significantly reduce the future administrative workload on Directorate staff

Cluster outcomes—leveraging of grants schemes

An example of leveraging possibilities comes from the Regional Assistance Program funding of \$16,500 described above for the Gold Coast Marine Industry Association's *Training Needs Analysis* project. From this funding, there are significant likely positive outcomes in terms of provision of skills training and availability of funds for an enhanced training facility from the Queensland State Government for Gold Coast marine industry employees.

In the event this comes about, it highlights a much-desired outcome where **Federal funds for a project can stimulate complementary funding assistance from Local and State Government.** Additionally, it also identifies an important role for Local Government as a catalyst for action and as a facilitator to local small business.

With the success to date in its facilitation role of assisting small business to gain access to Federal and State Government grants schemes, Council's Economic and Major Projects Directorate is directing increased effort to gaining increased awareness of grant schemes, which are available, and communicating these to the industry associations it is supporting. It would seem there is great potential for other local government authorities throughout Australia to provide a similar role in assisting small business in their respective areas.