

Incentives to support new business enterprises

Introduction

- 12.1 Small businesses are an important component of the Australian economy, accounting for over a third of industry value added¹ in 2009-10. Small businesses also provide for almost half of total industry employment, equating to approximately 4.8 million Australians in 2009-10.²
- 12.2 Migrants have enjoyed high-profile business success in Australia. In 2011, three out of the top ten of Australia's richest people were migrants, or 30 per cent of the top ten.³ This is roughly equivalent to the proportion of migrants of working age in the Australian population and is a remarkable achievement given the challenges of transition in a new country. They have overcome disadvantages through determination and hard work, and in the process have created jobs and wealth in Australia.
- 12.3 Many successful migrant entrepreneurs start out their careers through a small business. This chapter examines what the Australian Government can do to help migrant entrepreneurs quickly understand the regulatory environment and start a business.

1 Industry value added measures the contribution by businesses in each industry to gross domestic product.

2 Department of Innovation, Industry, Science and Research, *Australian Small Businesses: Key Statistics*, 2011, pp. 3, 6.

3 *Business Review Weekly* (BRW), 'BRW Rich 200 Wealth Index,' 25 May 2011 <www.brw.com.au> viewed 14 May 2012.

The profile of migrant small businesses

Migrants

- 12.4 Two groups of academics in Australia have recently conducted major research on migrant small businesses. Kerry Carrington at the University of New England cites figures from the Australian Bureau of Statistics showing that approximately 30 per cent of small businesses in Australia are migrant owned, which is similar to the proportion of migrants in the working age population.
- 12.5 Professor Hugo of the University of Adelaide notes that migration and entrepreneurship require similar characteristics to be successful:
- There is a substantial body of literature on the relationship between migration and entrepreneurship ... It is apparent that there are a number of personal attributes which are associated with both processes – a propensity to take risks, not to accept the status quo, to take advantage of opportunities when they arise, etcetera. It is certainly the case that many refugees have these characteristics.⁴
- 12.6 Although many migrant small businesses are established by people who entered Australia under business migration schemes, it is argued that many others are established as a matter of necessity. If migrants cannot obtain mainstream employment through lack of fluency in English, the risk of starting a small business may well be worth the financial security it could provide. Another reason why migrants may not be able to obtain work is discrimination in workplaces, leading to highly educated individuals doing low-skill work. The Committee received evidence of this in relation to African migrants, in particular.⁵ Barriers to employment for migrants and refugees are discussed in greater length in Chapter 9 of this report.
- 12.7 Carrington also noted that migrant small businesses in Australia generally conduct some of their work outside their individual migrant community and are not restricted to enclaves. Further, family members are often brought in to help the business because they are more prepared to work

4 G Hugo, *Economic, Social and Civic Contributions of First and Second Generation Humanitarian Entrants*, Final Report to Department of Immigration and Citizenship, May 2011, p. 174.

5 Ms Julie Edwards, Chief Executive Officer, Jesuit Social Services, *Committee Hansard*, Melbourne, 3 February 2012, p. 29.

longer hours and it is easier to simultaneously conduct other aspects of family life, such as child minding.⁶

- 12.8 However, there are few studies on whether migrant small businesses are profitable. Professor Hugo cites a study from 1988 that examined the success or failure of 13 449 small businesses, of which 16 per cent were run by migrants. The results indicated that migrant small businesses of that time enjoyed above-average growth and success:

They found that migrants had on average less education but more experience than their Australian-born counterparts ... Immigrants made less use of credit to finance their businesses and although they started off smaller than the Australian-born owned businesses, they grew faster and were more profitable. They also had a lower failure rate. Strahan and Williams conclude that immigrants are generally more successful in small business than Australia-born and that immigrant entrepreneurs make an important economic contribution.⁷

- 12.9 The Committee agrees that Australia has benefited from migrants' entrepreneurial spirit through the goods and services they provide and the wealth they create.

Humanitarian refugees

- 12.10 Professor Hugo has also conducted research into humanitarian refugees' businesses. Of all refugee-humanitarian entrants, the proportion of owner/managers is 19 per cent, higher than the average for Australian-born individuals at 16 per cent. Some country groups have rates of running a business in excess of 20 or 30 per cent, in particular Eastern Europeans, as well refugees from Lebanon, Iran, Iraq and Somalia. On average, humanitarian refugee women also have higher rates of business ownership than Australian-born women, with rates of 14 per cent and 11 per cent respectively.⁸

6 K Carrington, A McIntosh, and J Walmsley, *The Social Costs and Benefits of Migration into Australia*, University of New England and the Centre for Applied Research in Social Sciences, 2007, pp. 94–95.

7 G Hugo, *Economic, Social and Civic Contributions of First and Second Generation Humanitarian Entrants*, Final Report to Department of Immigration and Citizenship, May 2011, p. 174.

8 G Hugo, *Economic, Social and Civic Contributions of First and Second Generation Humanitarian Entrants*, Final Report to Department of Immigration and Citizenship, May 2011, pp. 176, 185.

- 12.11 High rates of business activity among humanitarian migrants also tends to be concentrated among groups that have spent the most time in Australia. The usual pathway for them to start a business is to first take up regular employment and use this as a means of building up capital to establish a business later on. This is almost always a matter of necessity, given the forced nature of their migration. To take the Vietnamese as an example, in 1990 only 11 per cent of working Vietnamese-born were either employers or self employed. By 2006, this had increased to 18 per cent.⁹
- 12.12 Professor Hugo argues that the general perception of migrants establishing their own business through necessity does not currently apply to humanitarian refugees. Overwhelmingly, in discussions with them, they emphasised that they worked for wages initially for the purpose of 'identifying opportunities and on taking up the chance to really establish themselves and their families in Australia.'¹⁰

Supporting migrant business enterprise

- 12.13 The Committee recognises the importance of supporting migrant business enterprise in Australia. During the inquiry, the Committee was informed of some of the inherent difficulties faced by migrants in their attempts to establish a new business. These included a lack of understanding of Australian business regulations and difficulty in acquiring loans from financial institutions.¹¹
- 12.14 An important mechanism for supporting migrant business enterprise is business mentoring. The call for migrant business mentoring programs was presented to the Committee in evidence from Spectrum Migrant Resource Centre (SMRC) and the Ethnic Communities Council of Victoria.¹² The SMRC's Ms Rosemary Kelada spoke of the significant role business mentoring plays in providing access to networks and shared

9 G Hugo, *Economic, Social and Civic Contributions of First and Second Generation Humanitarian Entrants*, Final Report to Department of Immigration and Citizenship, May 2011, pp. 177–78.

10 G Hugo, *Economic, Social and Civic Contributions of First and Second Generation Humanitarian Entrants*, Final Report to Department of Immigration and Citizenship, May 2011, p. 179.

11 Miss Marion Lau OAM, JP, Ethnic Communities Council of Victoria (ECCV), *Committee Hansard*, 29 March 2011, p. 13.

12 *Committee Hansard*, 29 March 2011, p. 18, Miss Lau, ECCV, *Committee Hansard*, 29 March 2011, p. 13.

expertise to help guide migrants through the Australian business environment.¹³ Other suggestions made to the Committee included:

- a mix of professional/technical and financial support;¹⁴
- information and understanding of Australian taxation and business laws;¹⁵
- a whole-of-government approach whereby each government department with an economic agenda assists migrants to establish businesses;¹⁶ and
- easily accessible education programs that take into account low levels of English proficiency and the literacy skills of potential establishers of ethnic small businesses.¹⁷

12.15 Throughout the inquiry, the Committee was made aware of a number of programs and initiatives designed to give migrants and refugees the skills to competently start and maintain their own small business. However due to a lack of funding, a lot of these programs were only available on a short-term basis.

Small Business Victoria (SBV)

12.16 Within the Department of Business and Innovation, SBV provides a range of low-cost programs, services, information and tools to assist new and prospective small business people to get their enterprises started as quickly as possible. These services include: online, telephone and in-person information on starting a business, licensing and registration; workshops and seminars on starting a business; and the month-long Energise Enterprise Small Business Festival each year.¹⁸

12.17 The Victorian Government's submission noted that they had called for expressions of interest from multicultural business owners to join its new Multicultural Business Ministerial Council. The Council provides advice on policy initiatives and priorities to support multicultural businesses,

13 *Committee Hansard*, 29 March 2011, p. 18.

14 The NSW Spanish and Latin American Association for Social Assistance (NSW SLASA), *Submission 111*, p. 10.

15 ACCESS Services Inc., *Submission 71*, p. 6.

16 United Macedonian Diaspora, *Submission 472*, p. 10.

17 ECCV, *Submission 340*, p. 11.

18 Victorian Government, *Submission 482*, p. 22.

including the 30 per cent of Victorian small business operators born overseas.¹⁹

12.18 The Victorian Government also noted that:

...Small Business Victoria -through the *Global Skills for Victoria* program – presents an information briefing on SBV advocacy, programs and services at the Victorian Government's bi-monthly "Live in Victoria Business Migrant Seminar". The tailored content of these seminars is generally presented in Chinese (Mandarin) as the predominant language of business migrants to Victoria.²⁰

The Enterprising Women Project

12.19 Implemented from 2005 to 2007, the Enterprising Women Project sought to give migrant women in the northern suburbs of Melbourne the skills and resources to establish their own business. In partnership with Spectrum Migrant Resource Centre, Women's Health in the North had overall carriage of the project. The components of the program were:

- a financial literacy program, to give women basic financial literacy skills; and
- the establishment of an association, Northern Enterprising Women, to provide ongoing informal support to women starting up their own business.

12.20 On most metrics, the project was a success. Follow-up interviews were conducted with 22 of the 98 women in the business education program, of whom 13 (60 per cent) started up a business. Demand well exceeded targets for most of the project. The targets for the business education and financial literacy sections were 36 and 120 women respectively, whereas the number of participants was 98 and 250 respectively. The target for loans was 20, though only 11 women took out loans of \$2 000 each.²¹ The reasons that women usually gave for not taking out a loan were that they:

- did not want to add to their financial burden;
- wanted to further research their business idea;
- weren't ready to start a business yet; and

19 Victorian Government, *Submission 482*, p. 22.

20 Victorian Government, *Submission 482*, p. 22.

21 Women's Health in the North, *Enterprising Women Project: Final Evaluation Report – Part 1*, February 2008, p. 63 <www.whin.org.au/images/PDFs/ew_final_evaluation_report_part_1_body.pdf> viewed 14 May 2012.

- only wanted to use their savings and income as capital.²²
- 12.21 Representatives from Women's Health in the North informed the Committee that all of the 11 loans handed out were successfully paid back. While it was generally felt that \$2 000 was a minimal amount to help establish a business, the women agreed that the money was a very welcome contribution.²³
- 12.22 The feedback that participants gave on the financial literacy program demonstrates the barriers that exist for recent migrants in establishing a business or managing their finances in Australia. Some of their comments were:
- We should have been taught this when we arrived...
- We spent six years in a camp, we had no banks, no ATMs, no accounts, no fees and no charges. We kept what we had close. The idea that our money is safe somewhere else (in a bank) is very different...
- I didn't know we had a choice in banks. When we arrived someone set it up for me, showed me how to use it and left. I didn't know about fees or anything...
- I used the ATM the other day for the first time without my husband. It wasn't that hard after all.²⁴
- 12.23 The key lessons and suggestions from the project included:
- while a \$2 000 loan was helpful, participants suggested that start up costs for a small business are more realistically \$5 000 to \$6 000;
 - expanding the project to include men;
 - the project was better suited to women with good English and workplace skills – employment programs may better suit other individuals;
 - free childcare and transport assisted participation; and
 - mentoring would be a useful addition to the program.²⁵

22 Women's Health in the North, *Enterprising Women Project: Final Evaluation Report – Part 1*, February 2008, p. 31.

23 Ms Helen Riseborough, Executive Director, Women's Health in the North, *Committee Hansard*, p. 19.

24 Women's Health in the North, *Enterprising Women Project: Final Evaluation Report – Part 1*, February 2008, pp. 49-50.

- 12.24 The women who participated in the association, Northern Enterprising Women, found it helpful in developing the skills required to operate a formal organisation. It also gave members practical information about establishing and operating a business, as well as social networks, support and reducing the isolation that new arrivals often feel. However, it was difficult for the members to sustain given their family and business commitments, especially once Women's Health in the North reduced its support role.

Conclusion

- 12.25 The Committee recognises the valuable work of Women's Health in the North and Spectrum Migrant Resource Centre in running the Enterprising Women Project. The Committee is of the view that the project has demonstrated that small scale support for migrant small businesses can allow migrants to put their entrepreneurial spirit to good use. The project also demonstrated that its financial literacy components were very helpful to migrants, regardless of whether they established a business or not.
- 12.26 The Enterprising Women Project should inform and be the basis of a nation-wide program to improve migrants' financial literacy and encourage and advise those who want to 'have a go' to start their own business.

25 Women's Health in the North, *Enterprising Women Project: Final Evaluation Report – Part 1*, February 2008, pp. 33, 41, 42, 64.

Recommendation 32

- 12.27 The Committee recommends that the Department of Immigration and Citizenship and the Department of Innovation, Industry, Science, Research and Tertiary Education work with the Department of Education, Employment and Workplace Relations to investigate the barriers affecting the full participation of CALD individuals in the Australian workforce.

The Committee recommends that the existing New Enterprise Incentive Scheme be expanded beyond Job Services Australia, and adapted to ensure the needs of men and women of CALD background, including refugees, are better catered for. The Enterprising Women Project is a useful model. The expanded Scheme should be flexible in the way it provides incentives to support new migrant businesses, and include initiatives such as mentoring, financial skills and literacy, microcredit and no interest loans.

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