Job-Creation through Small Business Hubs - **J-CHubs**

Proposal

Job-Creation - Small Business Hubs (**J-CHubs**)

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Draft Plan - Outline only

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Other supporting material

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Key Points

**Cross - department support** BUT needs one department to Host.

Departments of Small Business, Employment, Premier’s Dept., Industry, Mental Health, Local Government

Role of HOST Department: While the Dept. of Small Business is the appropriate body to host this project, their role is as much to manage and the collaboration of the other key departments and stakeholders.

Initially: Gather and show government support for the concept across the relevant departments - to then approach other key stakeholders. Departments should in turn offer endorsement of the concept and propose their contribution and how this fits with other aligned proposals across employment initiatives, re-employment support etc

To approach and work with the corporate sector

Finalize plan

**Corporate Partnership** - considerable finance for the **J-Chubs** can be sourced from the corporate sector. Also expertise

This Proposal represents an opportunity to address a number of significant social challenges in a systematic and effective way. It complements other initiatives and proposals.

Job-Creation - Small Business Hubs (**J-CHubs**)

**Context**

There is good evidence that retrenched workers may be interested in small business but are ineligible for numbers of reasons including - redundancy package; not aware; don’t see it as targeting them. There are many that for various reasons have become isolated and inaccessible to current communication / marketing strategies. There are large numbers of highly skilled people like this.

Over and above this there are many people who may not have the overall experience or breadth of skills to run a business ***on their own*** - but they may fit well into a small team; both blue-collar and white-collar. Currently there is nothing that brings these people with an aggregate of skills together - different but complementary skills vital to initiating and maintaining successful small business.

There is growing interest and support in the idea of Social Enterprise as Job-Creation. While much of this is focused on activity for unemployed people with low-skill sets, there is never-the-less some strong examples of successful self-sustaining business ventures employing people with higher skill sets and experience.

Corporate partnership: this is a key aspect of this model. There are now precedents for major corporations to partner and provide finance directly to help address social challenges, particularly where the social challenge has an economic impact on specific industries. Examples include industry partnership in re-employment support activity (Super Industry - Geelong) and the banking sector partnering in utility services to help support clients with financial difficulties. Industry sectors with a clear alignment here include banking / finance, superannuation and health insurance - there has been strong recent research and media coverage of the enormous economic cost to industry of unemployment and the associated financial hardship, mental health issues and suicide. 1

Much of the recent and current re-employment support activity is not only ***not*** effective for people with higher skill sets but further isolates many of these people who may have a great deal to contribute. The federally funded employment service (JobActive) has significant limits in this respect; however there may be some instances where they may be able to contribute as a partner to some aspects. Similarly, the federally funded New Enterprise Incentive Scheme (NEIS) also has significant limitations but may be able to contribute - in some cases some participants of J-CHubs may well be directed towards the NEIS scheme.

Over and above the terrible personal and social cost of unemployment, there is a huge economic cost 2. There is growing support for the need for a genuine cross-sectoral approach to address this major social challenge. It needs to be done on a sufficiently large scale with policy, partnership and financial support to show the impact it can make and to show the commitment to the ideal.

This model provides a context and structure for meaningful community connection and a sense of purpose with which to move into the future.

**Being Pro-Active with Small Business**

Australia needs more small businesses succeeding AND less small businesses failing due to poor establishment and bad management. It impacts greatly on our economy, our communities and society in general.

The failure rate of small business is severe with over 90% of businesses failing in the first five years. (see Appendix 1 for some statistics on small business). With every one of these failures there is a cost, usually to the owner, but it impacts on the community as well. The cost incurred by the owner is usually substantial; many businesses are started with bank loans which are taken out against mortgages or money extracted from superannuation funds or money from redundancy packages. Failure of these businesses has a huge impact. Banks may force further loss including selling the mortgaged house. The superannuation balance very rarely returns to the level required to retire as often the plan was to do that from the money the businesses was expected to generate. And the money from the package is rarely seen again.

**Concept / Model**

A small business HUB (physical space / office meeting rooms): Ultimately self-sustaining through business activity.

Facilitated activity - accessing participants and stakeholders; bringing together; exploring potential

Partners / Stakeholders - Dept. of Small Businesses, Local Council, Small business organisations (eg Chambers of Commerce) Individual small businesses, NFPs, Corporate Sector eg Banks, Super Industry, Health Insurance, Dept. of Employment, Dept. of Mental Health, Unions, Service organisations…

In-kind support through establishment phase; some seed funding

Replicable - as national and international model of Job-Creation

Cross - department approach. The plan should expect considerable input from a number of related government departments across employment, industry, small business, finance and health / mental health (Job-creation AS suicide prevention). However it is envisaged that the greatest financial contribution to the plan will come from the corporate sector.

A key part of this model is to create income through small business activity to generate new jobs. Some of this income will go towards small business owner / sole traders and some to small business that employs people. The goal for this employment is to create long-term sustainable jobs that meet social and work place expectations.

**Marketing and communication** to access people with skills - some may already be inclined towards small business, some not but may become so. They may become interested because of work possibilities. A vital part of this activity is to develop effective strategies to access individuals who have become isolated for one reason or another - disenchantment with service support, loss of self-esteem, etc.

**Facilitated Processes**

This needs to be a highly professional systematic set of processes

Bringing together the key players

Identifying the Personnel - skills / products available for potential new businesses

Identifying the Personnel - skills among partners and stakeholders for on-going support

Identifying opportunities, possibilities and local potential - Innovative approaches

Establishing agreed processes for prioritizing potential new small businesses

Establishing partner / stakeholder responsibilities and roles

Clarifying the appropriate structure to suit the identified potential - small business vs social enterprise vs sole trader

Training - up-skilling participants where necessary eg Cert 4 Small Business Management

Job-Creation - Small Business Hubs (**J-CHubs**)

Model Schematic

**Physical HUB**

Office and work space

Meetings / training rooms

Initiating new small business

Supportfor on-going newly established small business

**Business support**

In-Kind

Fee for Service (preferably itself a new small business)

Partners / Stakeholders - with business support expertise

Business organisations eg Chambers of Commerce

Council

Govt. Depts. - Small Business, Employment, Mental Health

Service organisations

Unions

Facilitation of new business ideas

People with skills

People with business ideas

Successful new small business moves out

**Stakeholders**

Local Councils Local Business groups eg Chamber of Commerce

Individual Small Businesses Corporate partners - eg Banks, Super Industry, Health Insurance

Government Departments Small Business, Employment, Industry, Finance, Health / Mental Health

NEIS NFPs Researchers / Analysts

Other community **-** eg health, Neighborhood Centres, WDC, LLEN, Unions, Service Clubs, JobActive

Draft Plan (Outline only) Small Business as Job-Creation J-CHubs

5 x Job-Creation - Small Business Hubs (**J-CHubs**)

2 Years - Beginning March 1, 2016

**Mar 1, 2016 June 1, 2016 Sept 1, 2016 March 1, 2018**

Continue with all 5 **J-CHubs**

**Evaluation** - Process and Outcomes

Stakeholder contributions,

Small business created: small business, social enterprise, sole trader

Jobs created F-T, P-T, Casual

Other outcomes

Continue with first 2 **J-CHubs**

Establish and **s**upport new small business / social enterprise

Prepare and establish **J-CHubs** 3 - 5

**Process evaluation:**

Preparation and establishment of **J-CHub** concept

Preparation and establishment of new small businesses and social enterprises

Stakeholder agreements

Establish first 2 **J-CHubs**

Begin marketing / access

Source and establish Office space (Hub)

Begin Facilitation process

**Process evaluation** - Preparation and establishment - **J-CHub** concept

|  |
| --- |
| **Budget - 2 Years**  **2 x PT** (3 / 4 T) plus Travel, Accommodation etc  **$ 360,000**  **Office (x 5) $ 75,000**  **Business Start-up costs** plus 6 month support  Max 3 per J-CHub @$15,000 **$ 225,000**  **Marketing / Communication $ 100,000**  **Specialist business consultation / facilitation $ 50,000**  **Legal** @$5,000 **$ 75,000**  **Training** @ $3,000  **$ 45,000**  **Total $ 930 000** |

**In-Kind**

On-going business support from stakeholders

Office rent and out-going

Identifying markets

Business support - initiation, mentoring, market research

Marketing

Business Plans, market research etc for transition of viable projects to move beyond J-Chub

**Outcomes**

Focus on stable small business with longer-term viability

Minimum 3 small businesses established per J-CHub.

Newly established networks

A fresh understanding of the potential client base for small business initiatives who are quite invisible at the moment

New access strategies to this important group trialed and evaluated

**SWOT analysis**

**STRENGTHS**

Corporate Partnership: Recent precedents for major corporations to partner and provide finance directly to help address social challenges have opened the door to further develop this type of partnership.

OECD support for Social Enterprise as job-creation

Re-employment support AS suicide prevention

Strong support at all levels - international experts through to on-the-ground - small business, job-creation, mental health, academia, men’s health

No viable alternative

Begins to address poor performance in aspects of the small business sector such as small business success rates see - appendix x

Likelihood of measurable success

Fosters greater community connection as well as establishing new networks of relevant stakeholders previously invisible and not connected at all

Fosters Innovative approaches to local challenges - turns challenges into opportunities

Strong model for development and promotion

A constructive counter to the high economic cost of unemployment and suicide

**WEAKNESSESS**

Requires government leadership and initiative

Challenges the current culture of ‘bitsy’ safe projects with likely but minimal outcomes as well as the pervasive and deep set ‘silo’ culture

Lack of genuine inter-department collaboration; Stakeholders still acting in default ‘silo’ even when using the current language of ‘collaboration’

Do-eat-dog competition between stakeholders (for the bitsy fragmented project funding) rather than genuine collaboration

Bitsy project approach to substantial challenges

**OPPORTUNITIES**

A strong new approach that can be further developed and become a dynamic large scale model with national and international ramifications.

Begin to address disastrous failure rates of small business (see Appendix x) - this issue is a significant major challenge that is not really addressed in any meaningful way.

A. Many in small business don’t see small business support as applicable to them

B. Many who don’t see small business applying to them at all (from **Context** above)- those who are ineligible and those who may contribute or partner in a small business but don’t see themselves as being a business owner in their own right

C. Those who don’t seek help to initiate or run their small business but may be significantly better off if they did

**THREATS**

Lack of leadership and mettle by government

Constraint of the initiative and relegation to another small fragment ‘bitsy’ project

Background - the fit with other initiatives

There is now a solid evidence base for the general approach taken by this proposal

Corporate partnership in social challenges

Job-Creation / Re-Employment support AS suicide prevention

An appropriate approach (men-friendly / peer based) is vital to ensure effective engagement with men

Successful federally funded and evaluated activities such as the **45 + Program** and the **On the Front Foot** (Geelong) have been designed to fit with a broader systemic approach to the challenge of re-employment support. Proposals for similar complementary initiatives, as well as lobbying for broader policy development, are currently before government departments (state and federal) and major NFP organisations such as the Human Rights Commission.

**References**

1. Clancy Yeates. September 14, 2014. Mental illness and suicide claims hitting superannuation funds and insurers. The Sydney Morning Herald - Business Day

<http://www.smh.com.au/business/mental-illness-and-suicide-claims-hitting-superannuation-funds-and-insurers-20140914-10gplh.html>

New industry-backed research has found that 13 super funds covering more than a third of *Australia's workforce incurred costs of $201.5 million from suicide claims over the five years to 2011*

*Superannuation funds and life insurers are being urged to focus on early intervention to curb the mounting cost of claims caused by mental illness, a trend that has caused insurance premiums within super to skyrocket.*

*The study showed claims for suicide peaked for men aged 35 to 39, with almost 0.2 claims for every thousand insured fund members. Claim rates for suicide were far lower for women across all age brackets.*

1. Menslink 2013 KPMG Report The economic cost of suicide in Australia

<http://menslink.org.au/news/kpmg-estimates-economic-cost-of-male-suicide-in-australia-at-1-482-billion/>

KPMG estimates economic cost of male suicide in Australia at $1.482 billion

**Appendix 1**

Small Business statistics

**Attachments**

Zip folder - Document relating to re-employment support activity in Geelong 2014 - 15

**Appendix 1**

**Statistics on Small Business**

***Survival Rates****, as published by The Reserve Bank of Australia 2012 for the period 2007-2011:*

* *60% of sole proprietor (no staff) businesses failed;*
* *40% of 1-4 person businesses failed;*
* *35% of 5-19 person businesses failed; and*
* *40% of small businesses were not profitable.*

***Causes for ‘Start up’ businesses failure*** *in Australia, as cited by a study conducted by the University of Technology, Sydney.*

         *32% due to* ***poor financial management****, including being undercapitalised at the start, excessive private drawings, overuse of credit, no budgets, inadequate provision for tax payments and poor cash control*

         *15% due to* ***bad management in general***

         *12% due to* ***poor record-keeping***

         *12% due to (poor)* ***economic conditions***

         *11% due to* ***problems with sales and marketing****, including poor promotion, inability to cope with seasonal factors and insufficient knowledge of competitors.*

         *9% due to* ***staffing problems***

         *6% due to personal factors*

         *3% due to failure to seek external advice*

***Other causes*** *for failure included:*

* ***insufficient sales****, too few customers compared to the cost of operating*
* ***poor location*** *and lack of customer convenience*
* ***bad costing****, delayed invoicing*
* ***giving too much credit****, resulting in bad debts and slow payment*
* ***inventory problems*** *… slow moving or dead stock and shortfalls*
* ***inability to borrow funds***
* ***poor customer and public relations***
* ***let down by suppliers****, inability to obtain raw materials as required*
* ***inadequate quality management,*** *poor quality workmanship*
* ***lack of industry or product knowledge, or lack of knowledge of market forces***
* ***pilfering of goods or cash***

*Another study of Australian businesses indicated that the* ***biggest risk isn’t in the first year, but in the first three to four years****, to the point where a business that makes it through the first four years, has a much higher chance of survival.  It nominated the biggest problems as being cash flow, securing new leads and paying off debts.*