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Small Business in NSW

by

John Wilkinson

Briefing Paper No 3/05

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John Wilkinson

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EXECUTIVE SUMMARY

Forty per cent of workers, in Australia, are employed in small businesses (p.3)

Employment, in a number of segments of small business, has increased substantially (pp.3-17)

Employment, in a few segments of small business, has only increased slowly (pp.17-26)

Each year a significant number of small businesses fail (pp.26-28)

A core group of competencies are crucial to success in small business (pp.29-30)

Small business often operates under pressure from big business (pp.31-32)

A number of areas of small business, between the mid-1980s and the mid-1990s, lost their share of overall employment to big business (pp.32-38)

A small number of areas, of small business, captured employment from big business (pp.38-42)

1. INTRODUCTION

Small business, as a sector of production, tended to be overlooked by government until, in 1968, the Gorton government prevailed on the federal department of trade and industry to establish an advisory committee. In 1971 this committee produced a *Report of the Committee on Small Business*. In response to this report, the Whitlam government established a National Small Business Bureau. The state governments of New South Wales, Victoria and South Australia subsequently set up bodies to establish a Small Business Grants Scheme. In the 1980s, Queensland and Western Australia established small business development corporations. During the 1990s most of the state-based small business organisations were integrated into a department of state development. In the late 1990s, during the 1998 federal election, the Howard government included a small business platform in its election agenda. In 1999 the re-elected Howard government established an Office of Small Business within the federal department of employment, workplace relations and small business. The same government also established a Small Business Ministerial Council (to bring together the relevant ministers from the states and territories) and a National Small Business Forum where industry representatives meet with the federal minister for small business.¹

This paper seeks to examine the areas of small business growth and the factors that might influence growth or otherwise.

¹ Anders Lundstrom and Lois Stevenson, *Patterns and Trends in Entrepreneurship: SME Policy and Practice in Ten Economies* (Swedish Foundation for Small Business Research, Stockholm, 2001), pp.87-90.

2. GROWTH, AND SLOW GROWTH, IN SMALL BUSINESS ACTIVITY IN AUSTRALIA AND NSW

(a) Areas of Small Business Activity: Australia-Wide

The main areas that small business operates in can be seen in the following table:

Small Business in Australia – Main Areas of Activity: 2000-2001²

<i>Area of Activity</i>	<i>No. of People Employed</i>	<i>%age Employed</i>
Property and Business Services	609,700	19%
Retail Trade	595,900	18%
Building	497,300	14.5%
Manufacturing	282,600	8.5%
Health and Community Services	248,700	7.5%
Wholesale Trade	240,600	7%
Accommodation, Restaurants and Cafes	192,600	5.5%
Personal and Other Services	178,300	5%
Transport and Storage	164,700	5%
Cultural and Recreational Services	87,100	2.5%
Finance and Insurance	63,100	2%
Education	59,900	2%
Communication Services	29,100	1%
TOTAL	3,259,100	100%

(b) Small Business in New South Wales

The number of small of business in New South Wales, in total and by separate area of activity, are as follows:

Small Businesses in NSW/Small Businesses in Australia: 2000-2001³

Small Businesses Australia-Wide	1,122,000
Small Businesses in New South Wales	372,500

² Australian Bureau of Statistics, *Small Business in Australia: 2001*, ABS Catalogue No.1321.0 (Australian Bureau of Statistics, Canberra, 2002), p.12.

³ ABS Catalogue 1321.0 (2001), p.10.

Small Businesses in New South Wales by Area of Activity: 2000-2001⁴

<i>Type of Industry</i>	<i>Number of Small Businesses</i>
Building	80,000
Property and Business Services	74,400
Retail	51,500
Manufacturing	29,000
Health and Community Services	28,100
Personal and Other Services	23,100
Transport and Storage	21,800
Wholesale Trade	17,700
Cultural and Recreational Services	12,200
Accommodation, Restaurants and Cafes	11,800
Education	7,700
Communication Services	7,700
Finance and Insurance	6,300
Other	600

(c) Areas of Small Business Growth: Australia and New South Wales

Education

Between 1985 and 2002 employment in education, as a whole, grew at an average rate of 2.2% a year. This can be show in the following table:

Education Sector Employment Growth, Australia: 1985-2002⁵

<i>Industry Sector</i>	<i>Average Employment Growth</i>
Education	2.2%

A substantial reason, for the considerable growth of employment in education, is the expansion of commercially-offered education. Commercial concerns now offer education in the following areas:

⁴ See the small business section of the NSW Department of State and Regional Development website at <http://www.smallbiz.nsw.gov.au>.

⁵ Bureau of Transport and Regional Economics, *Focus on the Regions No.1: Industry Structure* (Bureau of Transport and Regional Economics, Canberra, 2003), p.8.

Selected Areas of Education Offered by Commercial Operations: 2004⁶

Acting
Aviation
Business Administration
Dance
English Language Intensive Courses for Overseas Students
Fashion
Film and Television
Hairdressing
Health and Beauty
Horticulture
Interior Design
Information Technology
Music
Natural Therapies
Photography
Property
Sport
Tourism and Hospitality

Only 2% of people employed, in small business as a whole, are employed in the realm of education. Nevertheless the employment growth rate, in education provided by small business, was almost twice the national rate for the sector as a whole. According to Muhammad Mahmood, between 1983-1984 and 1994-1995, small business provided education “recorded the highest annual average [employment] growth rate” amongst all small business sectors, “at 5.8 per cent”.⁷ Figures for employment in privately offered education (the principal domain of small business activity in education) are as follows:

Concerns Operating, in all States and Territories, in Commercially-Offered Education: 2000-2001⁸

Businesses/Organisations Employing 20 or More People	1,800
Businesses/Organisations Employing Less than 20 People	6,800
Small Business Concerns/Organisations Without Employees	16,700

⁶ Australian Council for Private Education and Training (ACPET), *The Importance of Private Providers of Post-Compulsory Education to the NSW Economy and to Meeting the State's Skills Training Needs* (ACPET, Sydney, 2004), p.4.

⁷ Muhammad Mahmood, “Economic Openness and Small Business Employment in Australia, 1983-1984 to 1994-1995”, paper presented to the *United States Association for Small Business and Entrepreneurship Annual National Conference*, San Francisco, 1997, p.3.

⁸ ABS Catalogue 1321.0 (2001), p.12.

National Employment in Commercially-Offered Education: 2000-2001⁹

Businesses/Organisations Employing More than 20 People	150,300
Businesses/Organisations Employing Less than 20 People	59,900

Average Number of People Employed (Nationally) in Commercially-Offered Education: 2000-2001

Businesses/Organisations Employing More than 20 People	84 People
Businesses/Organisations Employing Less than 20 People	9 People

NSW Businesses Operating in Commercially-Offered Education: 2000-2001¹⁰

Businesses/Organisations Employing 20 People or More	400
Businesses/Organisations Employing Less than 20 People	2,200
Small Business Concerns/Organisations Without Employees	5,500

NSW Employment in Commercially-Offered Education: 2000-2001¹¹

Businesses Employing 20 People or More	48,300
Businesses Employing Less than 20 People	13,300

Average Number of People Employed (in NSW) in Commercially-Offered Education: 2000-2001

Businesses Employing 20 People or More	120 People
Businesses Employing Less than 20 People	6 People

Health and Community Services

Health and community services, on an Australia-wide level, had an even higher overall employment growth rate than education. As in the case of education, between the 1980s and the 1990s there has been an equally rapid expansion in the number of commercial operations offering health care. In New South Wales there are currently 97 commercially-

⁹ Ibid.

¹⁰ Ibid., p.37.

¹¹ Ibid., p.40.

run hospitals and surgical centres.¹² In tabular form, the statistics for the national employment growth rate, in health and community services, are as follows:

Health and Community Services Sector Employment Growth, Australia: 1985-2002¹³

<i>Industry Sector</i>	<i>Average Employment Growth</i>
Health and Community Services	3.2%

According to Muhammad Mahmood, “Health and community Services. . .[also] showed the. . .[equal] highest growth rate both in terms of the number of small businesses, and employment in the small business sector.” Between 1983-1984 and 1994-1995 the rate of growth of employment, in the small business realm of the industry, reached 5.5%¹⁴ During 2000-2001 there were 80,300 concerns functioning nationally in the area of commercially-run health and community services. 2,900 of these concerns were of a large-scale nature while 77,400 were small businesses. Working in the larger concerns were 329,900 people, while 248,700 worked in concerns employing less than 20 people. Thus the much smaller number of larger concerns employed far many more people (individually), than the smaller operations, as evidenced by the following figures:

Businesses Operating, in all States and Territories, in the Commercial Health and Community Services Sector: 2000-2001¹⁵

Businesses Employing 20 People or More	2,900
Businesses Employing Less than 20 People	44,500
Small Business Concerns Without Employees	32,900

National Employment in the Commercial Health and Community Services Sector: 2000-2001¹⁶

Businesses Employing 20 People or More	329,900
Businesses Employing Less than 20 People	248,700

¹² See the website of the Australian Private Hospitals Association at <http://www.apha.org.au>.

¹³ Bureau of Transport and Regional Economics, op.cit., p.8.

¹⁴ Muhammad Mahmood, “Economic Openness and Small Business Employment in Australia, 1983-1984 to 1994-1995”, p.3.

¹⁵ ABS Catalogue 1321.0 (2001), p.12.

¹⁶ Ibid.

Average Number of People Employed (Nationally) in the Commercial Health and Community Services Sector: 2000-2001

Businesses Employing 20 People or More	114 People
Businesses Employing Less than 20 People	5 People

In the case of New South Wales, the health and community services sector, in 2001, was the fourth largest employing industry. On an overall level, in both the government-provided and commercially-provided sectors of the industry, there were 258,522 people employed in NSW: 9.4% of the state's workforce.¹⁷ Statistics for the commercially offered sector of the industry, in New South Wales, are as follows:

NSW Businesses Operating in the Commercial Health and Community Services Sector: 2000-2001¹⁸

Businesses Employing 20 People or More	700
Businesses Employing Less than 20 People	15,400
Small Business Concerns Without Employees	12,600

NSW Employment in the Commercial Health and Community Services Sector: 2000-2001¹⁹

Businesses Employing 20 People or More	98,000
Businesses Employing Less than 20 People	68,000

Average Number of People Employed (in NSW) in the Commercial Health and Community Services Sector: 2000-2001

Businesses Employing 20 People or More	140
Businesses Employing Less than 20 People	4

Property and Business Services

Property and business services is the largest area of employment in Australia. As described by the Bureau of Transport and Regional Services, in 2002, "Property and business

¹⁷ Australian Bureau of Statistics, *Census of Population and Housing: Selected Education and Labour Force Characteristics for Statistical Local Areas 2001 (New South Wales and Jervis Bay Territory)*, ABS Catalogue 2017.1 (Australian Bureau of Statistics, Canberra, 2003), p.3.

¹⁸ ABS Catalogue 1321.0 (2001), p.37.

¹⁹ Ibid., p.40.

services” was one of the two “largest contributors to the value of Australian production: providing around 12% of the value of Australian production.”²⁰ Between 1985 and 2002, property and business services, on a national level, had the highest rate of growth of any industry sector in Australia. This can be illustrated accordingly:

Property and Business Services Employment Growth, Australia: 1985-2002²¹

<i>Industry Sector</i>	<i>Average Employment Growth</i>
Property and Business Services	5.4%

In the small business sector, of property and business services, average employment growth was not far below the national average. Between 1983-1984 and 1994-1995 employment, in the small business realm of property and business services, grew at a rate of 4.8% a year.²² The relevant statistics, both for Australia and New South Wales, are accordingly:

Businesses Operating, in all States and Territories, in the Property and Business Services Sector: 2000-2001²³

Businesses Employing 20 People or More	7,700
Businesses Employing Less than 20 People	118,100
Small Businesses Concerns Without Employees	100,600

National Employment in the Property and Business Services Sector: 2000-2001²⁴

Businesses Employing 20 People or More	581,700
Businesses Employing Less than 20 People	451,000

Average Number of People Employed (Nationally) in Property and Business Services: 2000-2001

Businesses Employing 20 People or More	75 People
Businesses Employing Less than 20 People	4

²⁰ Bureau of Transport and Regional Economics, *Focus on the Regions No.1: Industry Structure* (Bureau of Transport and Regional Economics, Canberra, 2003), p.6.

²¹ Ibid., p.8.

²² Ibid., pp.6-8; Muhammad Mahmood, “Economic Openness and Small Business Employment in Australia, 1983-1984 to 1994-1995”, p.3.

²³ See ABS Catalogue 1312.0 (2001), p.12.

²⁴ Ibid.

In New South Wales, in 2001, property and business services was the second-largest employing industry: with 334,299 people employed (12.2% of the state's workforce).²⁵ Statistics for property and business services, within NSW, are as follows:

NSW Businesses Operating in the Property and Business Services Sector: 2000-2001²⁶

Businesses Employing 20 People or More	2,500
Businesses Employing Less than 20 People	46,400
Small Property and Business Service Concerns Without Employees	28,400

NSW Employment in the Property and Business Services Sector: 2000-2001²⁷

Businesses Employing 20 People or More	179,800
Businesses Employing Less than 20 People	166,000

Average Number of People Employed (in NSW) in the Property and Business Services Sector: 2000-2001

Businesses Employing 20 People or More	72 People
Businesses Employing Less than 20 People	3 People

Building

Building, on a national level, has only experienced a modest rate of employment growth in Australia. This is highlighted by the following figures:

Building Sector Employment Growth, Australia: 1985-2002²⁸

<i>Industry Sector</i>	<i>Average Employment Growth</i>
Building	2.4%

As far as small business is concerned, building is the third largest area of small business activity in Australia. Between 1983-1984 and 1994-1995 small building firms, on an overall level, experienced an employment growth rate *higher* than the national average: 3.7%.²⁹ While there is a minority of very large companies in the industry, there is a

²⁵ ABS Catalogue 2017.1 (2001), p.3.

²⁶ ABS Catalogue 1321.0 (2001), p.37.

²⁷ Ibid., p.40.

²⁸ Bureau of Transport and Regional Economics, op.cit., p.8.

²⁹ Muhammad Mahmood, "Economic Openness and Small Business Employment in Australia,

majority of very small companies. This is demonstrated by the following statistics:

Businesses Operating, in all States and Territories, in the Building Sector: 2000-2001³⁰

Businesses Employing 20 People or More	1,500
Businesses Employing Less than 20 People	79,200
Small Building Concerns Without Employees	151,900

National Employment in the Building Sector: 2000-2001³¹

Businesses Employing 20 People or More	106,600
Businesses Employing Less than 20 People	497,300

Average Number of People Employed (Nationally) in the Building Sector: 2000-2001³²

Businesses Employing 20 People or More	71
Businesses Employing Less than 20 People	6

NSW Businesses Operating in the Building Sector: 2000-2001³³

Businesses Employing 20 People or More	300
Businesses Employing Less than 20 People	30,700
Small Building Concerns Without Employees	49,700

1983-1984 to 1994-1995", p.3.

³⁰ ABS Catalogue 1321.0 (2001), p.12.

³¹ Ibid.

³² Ibid.

³³ Ibid., p.37.

NSW Employment in the Building Sector: 2000-2001³⁴

Businesses Employing 20 People or More	33,300
Businesses Employing Less than 20 People	104,800

Average Number of People Employed (in NSW) in the Building Sector: 2000-2001

Businesses Employing 20 People or More	111
Businesses Employing Less than 20 People	3

Personal and Other Services

Personal and other services, as a group, includes activities such as dry cleaning, hairdressing, courier services, security services, video hire services and veterinary care for pets. This area of activity, on a national level, enjoyed a significant level of employment growth between 1985 and 2002:

Personal and Other Services Sector Employment Growth, Australia: 1985-2002³⁵

<i>Industry Sector</i>	<i>Average Employment Growth</i>
Personal and Other Services	3.1%

Between 1983-1984 the rate of employment, in the small business area of this realm of production, grew by an even higher rate (3.6%).³⁶ The figures for the sector are as follows:

Businesses Operating, in all States and Territories, in Personal and Other Services: 2000-2001³⁷

Businesses Employing 20 or More People	1,100
Businesses Employing Less than 20 People	29,800
Small Business Concerns Without Employees	41,100

³⁴ Ibid., p.40.

³⁵ Bureau of Transport and Regional Economics, op.cit., p.8.

³⁶ Muhammad Mahmood, "Economic Openness and Small Business Employment in Australia, 1983-1984 to 1995-1996", p.3.

³⁷ ABS Catalogue 1321.0 (2001), p.12.

National Employment in the Personal and Other Services Sector: 2000-2001³⁸

Businesses Employing Less than 20 People	178,300
Businesses Employing 20 or more People	74,800

Average Number of People Employed (Nationally) in the Personal and Other Services Sector: 2000-2001

Businesses Employing 20 People or More	68 People
Businesses Employing Less than 20 People	2 People

NSW Businesses Operating in the Personal and Other Services Sector: 2000-2001³⁹

Businesses Employing 20 People or More	400
Businesses Employing Less than 20 People	10,200
Small Business Concerns Without Employees	13,000

NSW Employment in the Personal and Other Services Sector: 2000-2001⁴⁰

Businesses Employing 20 People or More	26,700
Businesses Employing Less than 20 People	37,200

Average Number of People Employed (in NSW) in the Personal and Other Services Sector: 2000-2001

Businesses Employing 20 People or More	66 People
Businesses Employing Less than 20 People	3 People

Finance and Insurance

On an overall level the finance and insurance sector is one of the most important areas of business activity in Australia. In 2002-2003 the sector contributed about \$52 billion to the Australian economy: equal to 7.9 per cent of Gross Domestic Product (half as big, again, as the contribution of the mining sector).⁴¹ Despite the size of the sector, in terms of output, this realm of activity only experienced a small rate of growth, on a national level, between 1985 and 2002:

³⁸ Ibid.

³⁹ Ibid., p.37.

⁴⁰ Ibid., p.40.

⁴¹ See <http://www.axiss.com.au>.

Finance and Insurance Sector Employment Growth, Australia: 1985-2002⁴²

<i>Industry Sector</i>	<i>Average Employment Growth</i>
Finance and Insurance	1.3%

Despite the presence of many large-scale concerns, the rate of employment growth in the small business sector of finance and insurance, between 1983-1984 and 1994-1995, was significantly *higher* than the national average: 3.4%.⁴³ The statistics for finance and insurance are as follows:

Businesses Operating, in all States and Territories, in Finance and Insurance: 2000-2001⁴⁴

Businesses Employing 20 or More People	900
Businesses Employing Less than 20 People	16,300
Small Business Concerns Without Employees	8,600

National Employment in the Finance and Insurance Sector: 2000-2001⁴⁵

Businesses Employing 20 or More People	221,000
Businesses Employing Less than 20 People	63,100

Average Number of People Employed (Nationally) in the Finance and Insurance Sector: 2000-2001

Businesses Employing 20 People or More	245 People
Businesses Employing Less than 20 People	4 People

NSW Businesses Operating in the Finance and Insurance Sector: 2000-2001⁴⁶

Businesses Employing 20 People or More	300
Businesses Employing Less than 20 People	3,800
Small Business Concerns Without Employees	2,600

⁴² Bureau of Transport and Regional Economics, op.cit., p.8.

⁴³ Muhammad Mahmood, "Economic Openness and Small Business Employment in Australia, 1983-1984 to 1994-1995", p.3.

⁴⁴ ABS Catalogue 1321.0 (2001), p.12.

⁴⁵ Ibid., p.37.

⁴⁶ Ibid., p.37.

NSW Employment in the Finance and Insurance Sector: 2000-2001⁴⁷

Businesses Employing 20 People or More	97,700
Businesses Employing Less than 20 people	10,200

Average Number of People Employed (in NSW) in the Finance and Insurance Sector: 2000-2001

Businesses Employing 20 People or More	325
Businesses Employing Less than 20 People	3 People

Transport and Storage

Employment growth, on an overall national level, was also noticeably slow in the transport and storage realm of industry. The statistics are accordingly:

Transport and Storage Sector Employment Growth, Australia: 1985-2002⁴⁸

<i>Industry Sector</i>	<i>Average Employment Growth</i>
Transport and Storage	0.7%

Despite the slow growth in the average rate of employment, on an overall national level, between 1983-1984 the rate of growth in employment in small transport and storage firms was significantly *higher*: three times the national average (2.2%). However while small operators, in the industry, are very numerous, they employ relatively few people. Figures for transport and storage are as follows:

Businesses Operating, in all States and Territories, in Transport and Storage: 2000-2001⁴⁹

Businesses Employing 20 or More People	1,900
Businesses Employing Less than 20 People	26,200
Small Business Concerns Without Employees	45,100

⁴⁷ Ibid., p.40.

⁴⁸ Bureau of Transport and Regional Economics, op.cit., p.8.

⁴⁹ ABS Catalogue 1321.0 (2001), p.12.

National Employment in Transport and Storage: 2000-2001⁵⁰

Businesses Employing 20 or More People	167,800
Businesses Employing Less than 20 People	164,700

Average Number of People Employed (Nationally) in Transport and Storage: 2000-2001

Businesses Hiring 20 or More People	88 people
Businesses Hiring Less than 20 People	6 People

NSW Businesses Operating in Transport and Storage: 2000-2001⁵¹

Businesses Employing 20 People or More	1,500
Businesses Employing Less than 20 People	8,400
Small Business Concerns Without Employees	13,400

NSW Employment in Transport and Storage: 2000-2001⁵²

Businesses Employing 20 People or More	58,200
Businesses Employing Less than 20 People	32,000

Average Number of People Employed (in NSW) in Transport and Storage: 2000-2001

Businesses Employing 20 People or More	39 People
Businesses Employing Less than 20 People	4 People

Wholesale Trade

The wholesale trade is the fifth largest employing industry in Australia. However, between 1985 and 2002, employment in this area of industry, on a national level, grew very slowly. This can be seen as follows:

⁵⁰ Ibid.

⁵¹ Ibid., p.37.

⁵² Ibid., p.40.

Wholesale Trade Employment Growth, Australia: 1985-2002⁵³

<i>Industry Sector</i>	<i>Average Employment Growth</i>
Wholesale Trade	0.3%

Although employment growth in the wholesale trade, on an overall national level, grew only slowly, the small business sector of the wholesale trade actually experienced a much *higher* rate of growth, between 1983-1984 and 1994-1995, which was several times the national average (2.2%).⁵⁴ The small business element of the wholesale trade is a noticeably significant employer: 40% of the people employed in the wholesale sector being employed by small businesses. This is evident in the following tables:

Businesses Operating, in all States and Territories, in the Wholesale Trade: 2000-2001⁵⁵

Businesses Employing 20 People or More	5,100
Businesses Employing Less than 20 People	39,500
Small Business Wholesale Trade Concerns Without Employees	17,900

National Employment in the Wholesale Trade: 2000-2001⁵⁶

Businesses Employing 20 People or More	298,500
Businesses Employing Less than 20 People	240,600

Average Number of People Employed (Nationally) in the Wholesale Trade: 2000-2001

Businesses Employing 20 People or More	58 People
Businesses Employing Less than 20 People	6 People

⁵³ Bureau of Transport and Regional Economics, op.cit., p.8.

⁵⁴ Muhammad Mahmood, "Economic Openness and Small Business Employment in Australia, 1983-1984 and 1994-1995", p.3.

⁵⁵ ABS Catalogue 1321.0 (2001), p.12.

⁵⁶ Ibid.

NSW Businesses Operating in the Wholesale Trade: 2000-2001⁵⁷

Businesses Employing 20 People or More	1,300
Businesses Employing Less than 20 People	12,200
Small Business Wholesale Trade Concerns Without Employees	5,500

NSW Employment in the Wholesale Trade: 2000-2001⁵⁸

Businesses Employing 20 People or More	99,300
Businesses Employing Less than 20 People	63,600

Average Number of People Employed (in NSW) in the Wholesale Trade: 2000-2001

Businesses Employing 20 People or More	76 People
Businesses Employing Less than 20 People	5 People

(d) Areas of Slower Small Business Growth: Australia and New South Wales***Cultural and Recreational Services***

On a national level, the cultural and recreational services industry sector experienced substantial employment growth between 1985 and 2002. This can be seen as follows:

Cultural and Recreational Services Sector Employment Growth, Australia: 1985-2002⁵⁹

<i>Industry Sector</i>	<i>Average Employment Growth</i>
Cultural and Recreational Services	4.1%

Between 1983-1984 and 1994-1995 the rate of employment growth, in the small business realm of cultural and recreational services, was noticeably *slower*: 2.6%.⁶⁰ The most recent basic statistics for employment in this sector are as follows:

⁵⁷ Ibid., p.37.

⁵⁸ Ibid., p.40.

⁵⁹ Bureau of Transport and Regional Economics, op.cit., p.8.

⁶⁰ Muhammad Mahmood, "Economic Openness and Small Business Employment in Australia, 1983-1984 to 1994-1995", p.3.

Businesses Operating, in all States and Territories, in the Cultural and Recreational Services Sector: 2000-2001⁶¹

Businesses Employing 20 or More People	1,600
Businesses Employing Less than 20 People	13,100
Small Business Concerns Without Employees	26,700

National Employment in the Cultural and Recreational Services Sector: 2000-2001⁶²

Businesses Employing 20 or More People	108,000
Businesses Employing Less than 20 People	87,100

Average Number of People Employed (Nationally) in Cultural and Recreational Services: 2000-2001

Businesses Employing 20 People or More	122 People
Businesses Employing Less than 20 People	6 People

NSW Businesses Operating in Cultural and Recreational Services: 2000-2001⁶³

Businesses Employing 20 People or More	500
Businesses Employing Less than 20 People	4,600
Small Business Concerns Without Employees	7,500

NSW Employment in Cultural and Recreational Services: 2000-2001

Businesses Employing 20 People or More	37,800
Businesses Employing Less than 20 People	16,200

Average Number of People Employed (in NSW) in Cultural and Recreational Services: 2000-2001

Businesses Employing 20 People or More	75 People
Businesses Employing Less than 20 People	3 People

⁶¹ ABS Catalogue 1321.0 (2001), p.12.

⁶² Ibid.

⁶³ Ibid., p.37.

Accommodation, Restaurants and Cafes

With the expansion of the tourist industry, between the 1980s and the 1990s, employment in accommodation, restaurants and cafes as a whole, rose to a peak of 474,000 in financial year 1997-1998. In the late 1990s employment in the sector declined slightly:

National Employment in Accommodation, Restaurants and Cafes: 1995-1996 to 1999-2000⁶⁴

<i>Year</i>	<i>Number of People Employed</i>
1995-1996	394,000
1996-1997	426,000
1997-1998	474,000
1998-1999	460,000
1999-2000	427,000

On a national level, nevertheless, this sector experienced a substantial level of employment growth, which can be shown accordingly:

Accommodation, Restaurants and Cafes Sector Employment Growth, Australia: 1985-2002⁶⁵

<i>Industry Sector</i>	<i>Average Employment Growth</i>
Accommodation, Restaurants and Cafes	4.3%

Tourism remains an important contributor to the accommodation, restaurants and cafes industry on a national level: being responsible, in 2000-2001, for the employment of 195,800 people.⁶⁶ Nevertheless, despite the employment growth in the industry as a whole, between 1983-1984 and 1994-1995 the rate of employment growth, in the small business realm of the industry, was noticeably *slower*: only reaching 2.4%.⁶⁷ The statistics for accommodation, restaurants and cafes, Australia-wide, are accordingly:

⁶⁴ Australian Bureau of Statistics, *Business Operations and Industry Performance, Australia: 1999-2000*, ABS Catalogue 8140.0 (Australian Bureau of Statistics, Canberra, 2002).

⁶⁵ Bureau of Transport and Regional Economics, op.cit., p.8.

⁶⁶ Access Economics, *The Economic Value of Tourism to Australia: A Post September 11 2001 Stock-Take and Update* (Access Economics, Canberra, 2002), p.11.

⁶⁷ Muhammad Mahmood, "Economic Openness and Small Business Employment in Australia, 1983-1984 to 1994-1995", p.3.

Businesses Operating, in all States and Territories, in the Accommodation, Restaurants and Cafes Sector: 2000-2001⁶⁸

Businesses Employing 20 People or More	4,300
Businesses Employing Less than 20 People	25,200
Small Business Concerns Without Employees	8,800

National Employment in Accommodation, Restaurants and Cafes: 2000-2001⁶⁹

Businesses Employing 20 People or More	240,200
Total Employment in Businesses Hiring Less than 20 People	192,600

Average Number of People Employed (Nationally) in Accommodation, Restaurants and Cafes: 2000-2001⁷⁰

Business Hiring 20 or More People	56 People
Businesses Hiring Less than 20 People	7 People

In New South Wales, as in other states, there are also a large number of pubs: just over 2,000 concerns employing around 23,000 people.⁷¹ The figures for NSW, as a whole, are as follows:

NSW Businesses Operating in Accommodation, Restaurants and Cafes: 2000-2001⁷²

Businesses Employing 20 People or More	1,500
Businesses Employing Less than 20 People	9,500
Small Business Concerns Without Employees	2,400

NSW Employment in Accommodation, Restaurants and Cafes: 2000-2001

Businesses Employing 20 People or More	87,600
Businesses Employing Less than 20 People	52,100

⁶⁸ ABS Catalogue 1321.0 (2001), p.12.

⁶⁹ Ibid.

⁷⁰ Ibid.

⁷¹ See Australian Bureau of Statistics, *Clubs, Pubs, Taverns and Bars*, ABS Catalogue 8867.0 (Australian Bureau of Statistics, Canberra, 2002), p.13.

⁷² ABS Catalogue 1321.0 (2001), p.37.

Average Number of People Employed (in NSW) in Accommodation, Restaurants and Cafes: 2000-2001

Businesses Employing 20 People or More	58 People
Businesses Employing Less than 20 People	5 People

Communication Services

Like many of the sectors mentioned above, communications services is yet another area dominated by big business: with operations like Australia Post, Telstra, Optus, Vodafone and AAPT having a significant presence. While communications services, according to the Bureau of Transport and Regional Services, was a “fast growing” industry between 1985 and 2002, during the same period the sector experienced a slow rate of employment growth. This is illustrated by the following table:

Communications Services Sector Employment Growth, Australia: 1985-2002⁷³

<i>Industry Sector</i>	<i>Average Employment Growth</i>
Communications Services	0.6%

The statistics for the sector, on a national level, are as follows:

Businesses Operating, in all States and Territories, in Communication Services: 2000-2001⁷⁴

Businesses Employing 20 or More People	200
Businesses Employing Less than 20 People	3,100
Small Business Concerns Without Employees	15,900

National Employment in the Communication Services Sector: 2000-2001⁷⁵

Businesses Employing 20 or More People	25,900
Businesses Employing Less than 20 People	29,100

⁷³ Bureau of Transport and Regional Economics, op.cit., pp.7-8.

⁷⁴ ABS Catalogue 1321.0 (2001), p.12.

⁷⁵ Ibid.

Average Number of People Employed (Nationally) in the Communications Services Sector: 2000-2001

Businesses Employing 20 or More People	130 People
Businesses Employing Less than 20 People	9 People

The Australian Bureau of Statistics figures for employment in New South Wales, in the small business sector of communications, appear to be contradictory: since they suggest that all communications services operations are small businesses. According to the ABS statistics, for communications services in New South Wales, the total number of all communications services businesses in the state amounts to 7,700 *and* the total number of small businesses, operating in New South Wales in communications services, also amounts to 7,700. However, as outlined above, there are at least 5 major communications services companies with large numbers of staff in the state. The figures for their staff in New South Wales are as follows:

Selected Major Communications Services Concerns with Employees in NSW: 2004⁷⁶

<i>Company</i>	<i>Employees in New South Wales</i>
Australia Post	13,000
Telstra	10,000
Optus	3,000
Vodafone	1,200
AAPT	800

The adjusted figures are approximately as follows:

NSW Businesses Operating in the Communications Services Sector: 2000-2001 (approx.)⁷⁷

Businesses Employing 20 People or More	70
Businesses Employing Less than 20 People	1,100
Small Business Concerns Without Employees	5,530

⁷⁶ Information supplied by Australia Post and Telstra. Optus employs around 9,000 people throughout Australia. Since one-third of the Australian population is in New South Wales, an approximate figure of 3,000 has been arrived at for Optus employees in the state. See also "Customer Success: Vodafone Australia" at the Hewlett Packard website, and "AAPT Announces New Sydney Headquarters", Press Release, 10 June 2004.

⁷⁷ ABS Catalogue 1321.0 (2001), p.37. The NSW department of state and regional appears to echo the figures provided by the ABS. Thus, on its small business website, the department states that there are 7,700 small businesses, in New South Wales, operating in the communications services sector.

NSW Employment in the Communications Services Sector: 2000-2001⁷⁸

Businesses Employing 20 People or More	16,000
Businesses Employing Less than 20 People	2,800

Average Number of People Employed (in NSW) in the Communications Services Sector: 2000-2001

Businesses Employing 20 People or More	228
Businesses Employing Less than 20 People	2 Persons

Manufacturing

Manufacturing, according to the Bureau of Transport and Regional Economics, is the equal largest contributor to the value of production in Australia: providing 12% of the value of production in 2002.⁷⁹ Nevertheless, between 1985 and 2002, there has been no employment growth in the sector, as the following figures indicate:

Manufacturing Sector Employment Growth, Australia: 1985-2002⁸⁰

<i>Industry Sector</i>	<i>Average Employment Growth</i>
Manufacturing	0%

On a nation-wide level, between the 1970s and the 1990s, the overall presence of manufacturing in Australian production has declined. Muhammad Mahmood has written that,

The manufacturing share of GDP in Australia, like other industrialised countries, has been on the decline over the last three decades and stood at 11.6 per cent in 2000-2001 and employed 13 per cent of total employed labour force. . . Manufacturing. . . in terms of annualised growth rates over the last 10 years. . . [increased by only] 1.8 per cent. . .⁸¹

⁷⁸ ABS Catalogue 1321.0 (2001), p.40.

⁷⁹ Bureau of Transport and Regional Economics, op.cit., p.6.

⁸⁰ Ibid., p.8.

⁸¹ Muhammad Mahmood, "The Productivity Performance of Australian Manufacturing SMEs", paper presented to the *Small Enterprise Association of Australia and New Zealand 16th Annual Conference*, Ballarat, September-October 2003, p.3

Although there was a decline in manufacturing, on an industry-wide level, between 1983-1984 and 1994-1995, the rate of employment growth, in the small business realm of manufacturing, was significantly *higher* than in the industry as a whole: reaching 1.2%.⁸² Statistics for the sector, on an Australia-wide level, are as follows:

***Businesses Operating, in all States and Territories, in the Manufacturing Sector:
2000-2001⁸³***

Businesses Employing 20 People or More	6,900
Businesses Employing Less than 20 People	43,600
Small Business Concerns Without Employees	44,700

National Employment in the Manufacturing Sector: 2000-2001⁸⁴

Businesses Employing 20 People or More	651,600
Businesses Employing Less than 20 People	282,600

***Average Number of People Employed (Nationally) in the Manufacturing Sector:
2000-2001⁸⁵***

Businesses Employing 20 People or More	94 People
Businesses Employing Less than 20 People	6 People

Despite the overall decline in manufacturing, on a nation-wide level, this sector of industry is still of substantial importance to New South Wales. In 2001 there were 316,113 people employed in manufacturing in the state: 11.5% of the state's workforce.⁸⁶ The figures for NSW are as follows:

⁸² Muhammad Mahmood, "Economic Openness and Small Business Employment in Australia, 1983-1984 to 1994-1995", p.3.

⁸³ ABS Catalogue 1321.0 (2001), p.12.

⁸⁴ Ibid.

⁸⁵ Ibid.

⁸⁶ ABS Catalogue 2017.1 (2001), p.3.

NSW Businesses Operating in the Manufacturing Sector: 2000-2001⁸⁷

Businesses Employing 20 People or More	1,900
Businesses Employing Less than 20 People	14,100
Small Business Concerns Without Employees	14,800

NSW Employment in the Manufacturing Sector: 2000-2001⁸⁸

Businesses Employing 20 People or More	197,400
Businesses Employing Less than 20 People	68,300

Average Number of People Employed (in NSW) in the Manufacturing Sector: 2000-2001⁸⁹

Businesses Employing 20 People or More	104 People
Businesses Employing Less than 20 People	5 Persons

Retail

Retail experienced a modest rate of employment growth in Australia, between 1985 and 2002, as the following figures indicate:

Retail Sector Employment Growth, Australia: 1985-2002⁹⁰

<i>Industry Sector</i>	<i>Average Employment Growth</i>
Retail	2.6%

Retail is the second largest area of small business in Australia. The small business sector of retailing, significantly, experienced an even *slower* rate of employment growth, than the overall national average, between 1983-1984 and 1994-1995: 0.4%.⁹¹ Statistics for the retail sector, nationally, are accordingly:

⁸⁷ ABS Catalogue 1321.0 (2001), p.37.

⁸⁸ Ibid., p.40.

⁸⁹ Ibid.

⁹⁰ Bureau of Transport and Regional Economics, op.cit., p.8.

⁹¹ Muhammad Mahmood, "Economic Openness and Small Business Employment in Australia, 1983-1984 to 1994-1995", p.3.

Businesses Operating, in all States and Territories, in the Retail Sector: 2000-2001⁹²

Businesses Employing 20 People or More	5,900
Businesses Employing Less than 20 People	93,000
Small Retail Concerns Without Employees	69,800

National Employment in the Retail Sector: 2000-2001⁹³

Businesses Employing 20 People or More	620,300
Businesses Employing Less than 20 People	595,900

Average Number of People Employed (Nationally) in the Retail Sector: 2000-2001

Businesses Employing 20 People or More	105 People
Businesses Employing Less than 20 People	6 People

In New South Wales, in 2001, the retail trade was the largest employer in the state. 390,914 people were employed in the retail sector (14.2% of the state's workforce).⁹⁴ Figures for NSW are as follows:

NSW Businesses Operating in the Retail Sector: 2000-2001⁹⁵

Businesses Employing 20 People or More	1,100
Businesses Employing Less than 20 People	30,500
Small Retail Concerns Without Employees	21,100

NSW Employment in the Retail Sector: 2000-2001⁹⁶

Businesses Employing 20 People or More	188,400
Businesses Employing Less than 20 People	136,300

⁹² ABS Catalogue 1321.0 (2001), p.12.

⁹³ Ibid.

⁹⁴ ABS Catalogue 2017.1 (2001), p.3.

⁹⁵ ABS Catalogue 1321.0 (2001), p.37.

⁹⁶ Ibid., p.40.

Average Number of People Employed (in NSW) in the Retail Sector: 2000-2001

Businesses Employing 20 People or More	170 People
Businesses Employing Less than 20 People	4 People

3. ATTRIBUTES OF SUCCESS AND FAILURE IN SMALL BUSINESS

(a) Small Business's Contrasting Fortunes

On different occasions, over several decades, a spotlight has been shone (both in the media and by government) on the fluctuating fortunes of small business. 1975 was a year, in Australia, in which many small businesses failed: in late September 1975 the *Adelaide Advertiser* featured an article headlined "300 SA Failures in the First Twelve Months."⁹⁷ Such mixed results on the part of small business people, led to comment, by government representatives and others, on the acumen of small business people. In 1978 the Queensland minister for industry (Norman Lee) declared, in an article in the *Courier-Mail*, that "Forty per cent of small businesses in Queensland close their doors in the first 12 months of operation" and that "some [small business] owners are impractical dreamers who shouldn't be in business."⁹⁸ In the early 1990s the then chairman of the Australian Council of Shopping Centres made a similar pronouncement: declaring in 1991, according to a report in *The Australian*, that "Most small business failures in the retail market are the result of poor management and lack of effective management training".⁹⁹

The mixed fortunes of small business induced a number of researchers to investigate the issue. Professor Alan Williams surveyed a number of small businesses between 1973 and 1987. His findings, amongst 13,780 small businesses were as follows:

Survey of 13,780 Australian Small Businesses: 1973-1987¹⁰⁰

Failures	10,194
Survivors	3,586
Failures as a Percentage of Total	74%

⁹⁷ Stewart Cockburn, "300 SA Failures in the First Twelve Months" in the *Adelaide Advertiser*, September 1975.

⁹⁸ Cited in N.A. Sorby-Adams, *Small Business Failures in Queensland: 1970-1976* (MBA Thesis, University of Queensland, 1979), p.3.

⁹⁹ "Retail Centres: A Special Report" in *The Australian*, 7 December 1991, p.46.

¹⁰⁰ Alan Williams, "Small Business as a Job Generator: A Longitudinal Study in Australia (1973-1987)", paper presented to the *Fourth National Small Business Conference*, Newcastle, 1989, p.12.

More recent studies have varied in their estimation of the fortunes of small enterprises. In 1996, John Watson and Jim Everett published the results of a survey of 5,196 small business commencements, over the years 1961-1990, in 51 managed shopping centres across the five mainland states of Australia. Their conclusion was that:

Of the 5,196 start-ups, approximately 50% (2,543) were sold or liquidated over the period of this study.¹⁰¹

On the other hand, in 1997 the Australian Bureau of Statistics produced an occasional paper on business failures in which researchers at the bureau outlined the number of small business failures between financial year 1994-1995 and financial year 1995-1996. Their results were as follows:

Small Business Failures in Australia: 1994-1995 to 1995-1996¹⁰²

<i>Number of Small Businesses Failing</i>	<i>Failures as a Percentage of All Small Businesses</i>
29,190	7.7%

(b) Components of Viability

Even in the present day, many operators of small businesses have relatively few educational qualifications. The website of the small business section, of the state's department of state and regional development, give the following figures for the educational achievements of small business people in New South Wales:

NSW Small Business Operators' Educational Qualifications: 2001¹⁰³

<i>Educational Qualification</i>	<i>Number of Small Business People Holding Qualification</i>
Year 12 Certificate	39.3%
Post- High School Certificate	38.6%
Advanced Diploma or Above	22.1%

Amongst the 5,646 small businesses which failed during 1973-1984 (in Professor Alan Williams's survey), 31 reasons were listed, by the business people themselves, for their own lack of success. These reasons, and the percentage of failed firms attributing them to

¹⁰¹ John Watson, "Do Small Businesses Have High Failure Rates?" in the *Journal of Small Business Management*, vol.34, no.4, October 1996, p.53.

¹⁰² Bill Pattinson and Clem Tozer, *Business Exits Australia 1994-1995 and 1995-1996* (Occasional Paper), ABS Catalogue 8144.0 (Australian Bureau of Statistics, Canberra, 1997), p.7.

¹⁰³ See Small Business Statistics at www.smallbiz.nsw.gov.au.

their failures, were listed by Williams as follows:

Reasons for Failure amongst 5,646 Failed Small Businesses: 1973-1984¹⁰⁴

<i>Factor for Failure</i>	<i>Percentage of Small Businesses Citing Factor</i>
Lack of Business or Management Experience	60%
Inadequate or Inaccurate Books and Records	55%
Inability to Cope with Fluctuating Costs/Prices	39%
Industrial Relations Conditions/ Requirements	28%
Excessive Reliance on Personal Resources	22%
Undercapitalisation	21%
Overuse of Credit	20%
Stock Flow Problems	20%
Inability to Understand Financial Statements	18%
Sales Problems	17%
Escalation of Technological Change	17%
Inadequate Financial Planning	16%
Commercial Recessions	14%
Staff Supervision	13%
Failure to Seek External Financial Advice	12%
Inability to Retain Good Staff	11%
Inadequate Product Development	9%
Insufficient Knowledge of Competitors	7%
Unproductive Use of Assets	7%
Poor Promotion	7%
Premature Expansion	5%
Reliance on Few Customers/Suppliers	5%
Poor Location	3%
Inability to Cope with Seasonal Fluctuations	3%
Poor Time Management	3%
Inadequate Risk Assessment	3%
Borrowing at Excessive Interest Rates	2%
Personal Problems between Owners/Managers	2%
Inability to Assess Expansion Risk	1%
Uninsured Damage	1%

¹⁰⁴

Alan Williams, "A Longitudinal Analysis of the Characteristics and Performance of Small Business in Australia", paper presented at the *Third National Small Business Conference*, Launceston 1986 (no.14 of the Conference Series of the Institute of Industrial Economics, University of Newcastle), pp.210-211.

(c) Components of Success

From the above reasons for failure, the five components of success appear to be the following:

5 Main Reasons for Success amongst 5,646 Failed Small Businesses: 1973-1984

Substantial Business or Management Experience
Accurate Bookkeeping and Record Keeping
Capacity to Cope with Fluctuating Costs/Prices
Capacity to Attend to Industrial Relations Conditions/Requirements
Avoidance of Reliance on Personal Resources

4. BIG BUSINESS'S IMPACT ON SMALL BUSINESS AND EMPLOYMENT

(a) The Contrast Between Big Business, and Small Business, Employment

In Australian production, as a whole, there is a fundamental contrast between big and small business. While there are over a million small businesses in Australia, compared to 48,500 bigger businesses in the nation, these one million smaller operations employ far less people, overall, than the much smaller number of larger undertakings. This is illustrated by the following comparative sets of figures:

Larger-Scale Commercial and Manufacturing Operations in Australia: 2000-2001¹⁰⁵

Number of Larger-Scale Commercial and Manufacturing Operations	48,500
Number of People Employed	5,001,400

Small Businesses in Australia: 2000-2001¹⁰⁶

Number of Small Businesses	1,233,200
Number of People Employed	3,563,100

¹⁰⁵ Rolffe Peacock, *Understanding Small Business: Practice, Theory and Research*, second edition (Scarman Publishing, Adelaide, 2004), p.6; see also Australian Bureau of Statistics, *Small Business in Australia*, ABS Catalogue No.1321.0 (Australian Bureau of Statistics, Canberra, 2002).

¹⁰⁶ Peacock, *ibid.*

(b) The Debate Over Small Business Employment

In recent years there has been a vigorous debate in Australia, as in other countries, over the significance of small business in employment. On the one hand, there are many bodies (including small business organisations themselves) which have sought to impress the public with the employment virtues of small business. These sentiments were echoed, in 2003, by the Australian Senate's Employment, Workplace Relations and Education References Committee. Chapter 2 of its report, into small business employment, declared that "Small business has made a major contribution to employment growth in Australia".¹⁰⁷ On the other hand, academics such as Rachel Parker have questioned the role of small business as an employer. She has written that,

While it is often assumed that small firms will create employment as they grow into large firms, longitudinal job generation studies in Europe indicate that very few firms in the very small category (up to twenty employees) grow to employ more than twenty employees. It is a very small number of extremely successful firms that grow, and are responsible, for the large proportion of the total increase in employment in SMEs [Small To Medium Enterprises]. . .¹⁰⁸

(c) Big Business Pressure on Small Business

Big business constantly exerts pressure on small business: either by seeking to take business away from small business, or by making participation in commerce difficult for small business. Three significant instances of the latter are as follows:

- In 1995 Boral, CSR and Pioneer Concrete were fined \$21 million for organising a system of market-sharing, and price-fixing, arrangements in Brisbane and the Gold Coast¹⁰⁹
- In 1998 Mayne Nickless was fined \$7 million, and TNT was fined \$6 million, for market-sharing and pricing agreements¹¹⁰
- In 2002 the Federal Court ordered penalties of \$14.5 million against Schneider Electric (Australia), Wilson Transformer Company and A.W. Tyree Transformers for their involvement in price-fixing and market-sharing arrangement in the power transformer, and distribution transformer, markets¹¹¹

¹⁰⁷ Employment, Workplace Relations and Education References Committee (Australian Senate), *Small Business Employment* (Australian Senate, Canberra, 2003), p.27.

¹⁰⁸ Rachel Parker, "The Myth of the Entrepreneurial Economy: Employment and Innovation in Small Firms" in *Work, Employment and Society*, vol.15, no.2, 2001, p.377.

¹⁰⁹ Press Release, Australian Competition and Consumer Commission, 4 December 1995.

¹¹⁰ Press Release, Australian Competition and Consumer Commission, 26 February 1998.

¹¹¹ Press Release, Australian Competition and Consumer Commission, 2 May 2002.

Big business can also pressure small business by encroaching on its sources of supply. One instance of this was provided by a fruit and vegetable retailer from Queensland (Joseph Natoli) to the House of Representatives Standing Committee on Industry, Science and Technology. According to the summary of his evidence:

Along with other fruit and vegetable retailers in Queensland and northern New South Wales, Mr. Natoli obtains his supplies from the markets in Rocklea, Brisbane. The markets have traditionally operated on the basis of sale to the highest bidders. However, over the last decade, wholesale agents – with the agreement of growers – have negotiated “program specials” with major supermarket chains, whereby supply at an agreed price is set weeks or months in advance.¹¹²

(d) Big Business Employment Gains from Small Business

Between 1983-1984 and 1994-1995, according to the research conducted by Muhammad Mahmood, several sectors of small business actually lost employment to big business. This occurred in the following areas of activity and for the following reasons:

Retail

Coles and Woolworths, by the late 1990s, have come to assume a dominating position in Australian retailing: particularly in groceries, and fruit and vegetables. In 1999 the Australian parliament’s joint select committee on the retailing sector observed that,

Woolworths is Australia’s largest grocery retailer and the second largest private sector employer with 1,400 Australia-wide shops staffed by over 110,000 employees. Its supermarkets account for 81% of its employees. . . Coles. . . forms the grocery division of Coles Myer, which is Australia’s largest private sector employer with 150,000 staff. Coles has 410 shops and employs 53,500 [staff]. . .¹¹³

According Muhammad Mahmood, “Small firms in retail trade. . . recorded a much higher. . . employment share loss to large firms than other industries in the services sector.”¹¹⁴ This is illustrated by the following figures:

¹¹² House of Representatives Standing Committee on Industry, Science and Technology, *Finding a Balance: Towards Fair Trading in Australia* (Australian Parliament, Canberra, 1997), p.126.

¹¹³ Joint Select Committee on the Retailing Sector, *Fair Market or Market Failure? – A Review of Australia’s Retailing Sector* (Australian Parliament, Canberra, 1999), p.13.

¹¹⁴ Muhammad Mahmood, “Economic Openness and Small Business Employment in Australia, 1983-1984 to 1994-1995”, p.7.

Small Business Decline, in Employment Share, in the Retail Sector: 1983-1984 to 1994-1995¹¹⁵

<i>Small Business Sector</i>	<i>Loss of Employment to Big Business</i>
Retail	-7.5%

Organisations representing retail small businesses have complained for several years that small business has been losing its presence, in the industry, to big business. In a submission to a federal government committee on retailing, the National Association of Retail Grocers of Australia (NARGA) claimed that, between 1991 and 1997, 844 independent grocery shops had exited the industry.¹¹⁶ These developments are not surprising, given the strength of Coles and Woolworths.

Accommodation, Cafes and Restaurants

As in many of the other sectors, listed above, big business has the larger presence in the accommodation, restaurants and cafes sector. This is partly because the tourist industry is responsible for a large amount of employment in accommodation, restaurants and cafes, and many of the operators in the tourist industry are large businesses. According to IBISWorld, the top 4 concerns in this sector, in 2004, were Compass Group, Sodexho, Accor and Hilton Hotels.¹¹⁷ Compass group is the largest foodservice organisation in Australia. Accor is the world's largest hotel and tourism group with 3,500 hotels and resorts in 90 countries and, amongst other activities, operates the Novotel and Mercure hotels in Australia. Sodexho, on a worldwide level, is the leading provider of food to public and private hospitals. The statistics for the number of people, that these concerns employ in New South Wales, are as follows:

Accommodation, Restaurants and Cafes: Selected Major Operators' Employees in NSW (2005)¹¹⁸

<i>Major Operator in Accommodation, Restaurants and Cafes</i>	<i>No. of NSW Employees</i>
Compass Group	6,000
Accor	3,500
Sodexho	3,500
Hilton Hotels	650

¹¹⁵ Ibid., p.5.

¹¹⁶ National Association of Retail Grocers of Australia, Submission to the Australian Parliamentary Joint Select Committee on the Retail Sector (1999).

¹¹⁷ See <http://www.ibisworld.com.au>

¹¹⁸ Information supplied by the companies concerned.

Even in the pubs element of the industry, in which employers traditionally operated on a small-scale, many pubs are now operated by multi-licence business people: such as the investors Arthur Laundry and Bill Waugh.¹¹⁹

On an overall level, according to Muhammad Mahmood, between 1983-1984 and 1994-1995, “Accommodation, cafes and restaurants. . .[also] recorded a much higher. . .[level] of employment share loss to large firms than other industries in the services sector.”¹²⁰ This is indicated in the following table:

Small Business Decline, in Employment Share, in the Accommodation, Restaurants and Cafes Sector: 1983-1984 to 1994-1995¹²¹

<i>Small Business Sector</i>	<i>Loss of Employment to Big Business</i>
Accommodation, Restaurants and Cafes	-6.4%

Cultural and Recreational Services

Cultural and recreational services includes companies that operate cinemas, companies that own television networks and concerns that stage sports events (on a large or small scale). Some of the big concerns in this area are Publishing and Broadcasting Limited (majority owner of Crown Casino in Melbourne), Tabcorp (owner of Star City Casino, in Sydney, and TAB Ltd.), Hoyts and Greater Union.¹²² In certain areas of this sector of industry, there have been a number of reports of intentional dominance by particular operators. One area, where this activity has recently become an issue, is the cinema industry. Peter Martin, writing in the *Sydney Morning Herald*, reported that

Reading [cinemas’] chief operating officer. . .[in 2001]. . .in an affidavit quoted [in court]. . .said that in Perth everything south of the Swan River was Hoyts territory, while everything north of the river was Greater Union-Village territory. In Queensland, Hoyts was limited to the Brisbane city centre and the Gold Coast and the rest of Queensland was left to Greater Union-Village.¹²³

¹¹⁹ See Alex Mitchell, “Big Pokie Slug for Egan’s Ninth Budget Go” in the *Sun-Herald*, 22 June 2003.

¹²⁰ Muhammad Mahmood, “Economic Openness and Small Business Employment in Australia, 1983-1984 to 1994-1995”, p.7.

¹²¹ *Ibid.*, p.5.

¹²² See <http://www.ibisworld.com.au>.

¹²³ Peter Martin, “Price Mystery at a Cinema Near You” in the *Sydney Morning Herald*, 29 December 2004, p.15.

According to Muhammad Mahood, “Small firms in. . .cultural and recreational services [also] recorded a much higher. . .[level] of employment share loss to large firms”.¹²⁴ This is illustrated accordingly:

Small Business Decline, in Employment Share, in the Cultural and Recreational Services Sector: 1983-1984 to 1994-1995¹²⁵

<i>Small Business Sector</i>	<i>Loss of Employment to Big Business</i>
Cultural and Recreational Services	-6.3%

Personal and Other Services

Although employment in Personal and Other Services grew by 3.6%, over the period 1983-1984 to 1994-1995, the sector also lost employment to bigger business over the same period. According to Muhammad Mahood, the figures for this area of employment are as follows:

Small Business Decline, in Employment Share, in the Personal and Other Services Sector: 1983-1984 to 1994-1995¹²⁶

<i>Small Business Sector</i>	<i>Loss of Employment to Big Business</i>
Personal and Other Services	-3.3%

Transport and Storage

As in the case of many of the other sectors above, there is a concentration of activity amongst a relatively small group of big operators. Air travel in Australia is dominated by Qantas. In the road freight industry, for instance, there are 4 main operators: Linfox, Toll, K & S and Heggies. These companies, alone, handle at least 15% of road freight in Australia and employ large numbers of drivers and clerical staff.¹²⁷ The situation of small operators, in the road freight sector of this industry, has recently been outlined by the Bureau of Transport and Regional Economics accordingly:

Owner drivers/small freight operators account for less than 12 per cent of the [road freight] industry’s operating income. . .[yet] they represent nearly two-thirds of the

¹²⁴ Muhammad Mahmood, “Economic Openness and Small Business Employment in Australia, 1983-1984 to 1994-1995”, p.7.

¹²⁵ Ibid., p.5.

¹²⁶ Ibid.

¹²⁷ Bureau of Transport and Regional Economics, *An Overview of the Australian Road Freight Transport Industry* (Bureau of Transport and Regional Economics, Canberra. 2003), p.vii.

total number of operating businesses. The financial situation of many owner drivers continues to be difficult. . .¹²⁸

Not surprisingly, the small business sector of the transport and storage industry also lost employment to big business, as outlined in Muhammad Mahmood's figures:

***Small Business Decline, in Employment Share, in the Transport and Storage Sector:
1983-1984 to 1994-1995¹²⁹***

<i>Small Business Sector</i>	<i>Loss of Employment to Big Business</i>
Transport and Storage	-2.9%

Finance and Insurance

Whereas in 1974 manufacturing was the greatest source of employment in New South Wales (reaching a peak of 27% of the workforce), between 1984 and 1999 employment in manufacturing declined while employment in finance significantly increased. As John Edwards (former adviser to Paul Keating) has commented, "The biggest change in Australia over the fifteen years to the end of the 1990s was the very rapid growth of business services and finance. . .which [now] account for the overwhelming share of Australian employment and output."¹³⁰ The finance and insurance sector is particularly dominated by big firms. Banking is dominated by the National Australia Bank, Commonwealth Bank, Westpac and ANZ. Insurance is dominated by concerns such as IAG, Suncorp Metway, QBE, Allianz, CGU and others. As outlined in the earlier part of this paper, despite the presence of such large concerns, small business also achieved a growth in employment, between 1983-1984 and 1994-1995, of 3.4%. On an overall level, however, the small business share of employment, in the finance and insurance sector, declined according to Mahmood's estimates:

¹²⁸ Ibid.

¹²⁹ Muhammad Mahmood, "Economic Openness and Small Business Employment in Australia, 1983-1984 to 1994-1995", p.5.

¹³⁰ Graeme Snooks, "Manufacturing" in Wray Vamplew (ed.), *Australians: Historical Statistics* (Fairfax, Sydney, 1987), p.293; John Edwards, *Australia's Economic Revolution* (University of New South Wales Press, Sydney, 2000), pp.32-35.

***Small Business Decline, in Employment Share, in the Finance and Insurance Sector:
1983-1984 to 1994-1995¹³¹***

<i>Small Business Sector</i>	<i>Loss of Employment to Big Business</i>
Finance and Insurance	-1.9%

Health and Community Services

In the health and community services sector, many of the new commercial concerns, that have commenced business between the 1980s and the 1990s, are larger-scale operations. Some of these concerns are as follows:

Private Hospitals in New South Wales: 2004¹³²

Albury Wodonga Private Hospital
Armidale Private Hospital
Baringa Private Hospital
Berkeley Vale Private Hospital
Bondi Junction Private Hospital
Brisbane Waters Private Hospital
CPAS – Jean Colvin Private Hospital
Cape Hawke Community Private Hospital
Castlecrag Private Hospital
Dalcross Private Hospital
Dubbo Private Hospital
Dudley Private Hospital
Figtree Private Hospital
Hirondelle Private Hospital
Holroyd Private Hospital
Hunter Private Hospital
Hunters Hill Private Hospital
Kareena Private Hospital
Lady Davidson Private Hospital
Lake Macquarie Private Hospital
Lawrence Hargrave Private Hospital
Lingard Private Hospital
Lithgow Community Private Hospital
Longueville Private Hospital
Macarthur Private Hospital
Maitland Private Hospital

¹³¹ Muhammad Mahmood, "Economic Openness and Small Business Employment in Australia, 1983-1984 to 1995-1995", p.5.

¹³² See the website of the Australian Private Hospitals Association at www.apha.org.au.

Mater Private Hospital
Mayo Private Hospital
Mosman Private Hospital
Mount Wilga Private Hospital
Nepean Private Hospital
North Gosford Private Hospital
North Shore Private Hospital
Nowra Private Hospital
Peninsula Private Hospital
Poplars Private Hospital
Port Macquarie Private Hospital
Prince of Wales Private Hospital
Shellharbour Private Hospital
South Pacific Private Hospital
Southern Highlands Private Hospital
St. George Private Hospital
St. Luke's Hospital Complex
St. Vincent's Private Hospital
Strathfield Private Hospital
Sydney Adventist Hospital
Sydney Southwest Private Hospital
Tamara Private Hospital
The Hills Private Hospital
The Sydney Private Hospital
Toronto Private Hospital
Wandene Private Hospital
Warners Bay Private Hospital
Wesley Private Hospital
Westmead Private Hospital
Westside Private Hospital
Wolper Jewish Hospital

The above development has led to the fact that, despite having a small business sector that enjoyed the second-highest rate of employment *growth* between 1983-1984 and 1994-1995, health and community services activity still saw a decline, in the employment *share* of small business, in the industry as a whole. Muhammad Mahmood's figures are as follows:

Small Business Decline, in Employment Share, in Commercially-Offered Health and Community Services: 1983-1984 to 1994-1995¹³³

<i>Small Business Sector</i>	<i>Loss of Employment to Big Business</i>
Commercially-Run Health and Community Services	-1.5%

(e) Small Business Employment Gains from Big Business

Although several sectors of small business activity have seen big business increase its overall share of employment, in the particular industry concerned, in a smaller number of sectors small business has actually increased its share of employment.

Manufacturing

As mentioned above, following the dramatic increase in oil prices, during the early 1970s, manufacturing in Australia declined. In 1980, General Motors-Holden's closed its Pagewood assembly plant. In 1999, BHP closed its steel works at Newcastle. Although employment, in the small business *sector* of manufacturing, only grew slowly between 1983-1984 and 1994-1995, the overall employment *share* of small business, in manufacturing, actually expanded. Muhammad Mahmood has observed that,

Manufacturing small firms. . .recorded the highest positive change in the share in employment. This. . .occurred when the manufacturing industry [as a whole] experienced a decline in the level of employment by 6.1 per cent between 1983-1984 and 1994-1995. . .This demonstrates that there have been shifts in activity in the manufacturing sector from large to small firms and that these shifts are far more pronounced in manufacturing. . .¹³⁴

In a tabular form, the small business increase, in share of employment, can be shown accordingly:

Small Business Increase, in Employment Share, in the Manufacturing Sector: 1983-1984 to 1994-1995¹³⁵

<i>Small Business Sector</i>	<i>Gain in Employment from Big Business</i>
Manufacturing	8.1%

¹³³ Muhammad Mahmood, "Economic Openness and Small Business Employment in Australia, 1983-1984 to 1994-1995", p.5.

¹³⁴ Ibid., p.6.

¹³⁵ Ibid., p.5.

Building

The building industry is another area of activity where big concerns have a substantial presence. There are twelve major building companies in New South Wales, which can be listed as follows:

Major Building Companies in New South Wales: 2005

Abigroup
Australand
Barclay Mowlem
Boulderstone Hornibrook
Bovis Lend Lease
Grocon
Hansen Yuncken
John Holland
Leighton
Mirvac
Multiplex
Westfield

Despite the presence of such large companies in the building industry, the small business sector of the building industry also experienced an increase, in its share of overall industry employment, during the period 1983-1984 to 1994-1995. As Muhammad Mahmood has commented, between the mid-1980s and the mid-1990s, “there has been a remarkable shift in size distribution, in terms of the share of total employment, away from large to small firms” in the building industry.¹³⁶ The figures illustrating this shift are as follows:

Small Business Increase, in Employment Share, in the Building Sector: 1983-1984 to 1994-1995¹³⁷

<i>Small Business Sector</i>	<i>Gain in Employment from Big Business</i>
Building	6.5%

Although small business has seen an increase in its share of building industry employment, as a whole, the small business sector still has issues to face if it is to maintain that share. In 2003 the UK department of trade and industry, basing its information on Australian figures, issued a report on consumer policy regimes, in which it stated that,

Many small builders [in Australia] are undercapitalised. As a result the risks of insolvency are significant. Unfinished work is a frequent problem. . . It is said [in New South Wales] that hundreds of builders were serving suspensions imposed

¹³⁶ Ibid., p.6.

¹³⁷ Ibid., p.5.

before the end of 2001. One had been the subject of 30 complaints since 1989. . .¹³⁸

Wholesale Trade

On an overall level, during 1998-1999, there were a total of 38,483 concerns in the wholesale sector: generating a total income of \$210.6 billion. However the 3,079 concerns which employed more than 20 people accounted for \$154.6 billion in income. The 35,404 concerns in the wholesale sector, which employed less than 20 people, earned (on an overall level) \$56 billion. This can be outlined accordingly:

Wholesale Trade Overall Income (Larger Operations): 1998-1999¹³⁹

Concerns Employing 20 People or More	3,079
Total Income Earned by Concerns Employing 20 People or More	\$154.6 billion

Wholesale Trade Overall Income (Small Businesses): 1998-1999¹⁴⁰

Small Businesses in the Wholesale Trade	35,404
Total Income Earned by Small Businesses in the Wholesale Trade	\$56 billion

Nevertheless, despite the clear dominance of large firms in the wholesale sector, small business actually managed a slight increase in share of employment from the mid-1980s to the mid-1990s:

Small Business Increase, in Employment Share, in the Wholesale Trade: 1983-1984 to 1994-1995¹⁴¹

<i>Small Business Sector</i>	<i>Gain in Employment from Big Business</i>
Wholesale Trade	2%

Property and Business Services

Property and business services, like the retail sector, is dominated by large companies. In 2003 the ten largest listed property trust managers were as follows:

¹³⁸ See "Australia" in Consumer and Competition Policy Directorate, *Comparative Study on Consumer Policy Regimes* (UK Department of Trade and Industry, London, 2003).

¹³⁹ Australian Bureau of Statistics, *Wholesale Trade: Australia 1998-1999*, ABS Catalogue 8638.0 (Australian Bureau of Statistics, Canberra, 2000).

¹⁴⁰ Ibid.

¹⁴¹ Muhammad Mahmood, "Economic Openness and Small Business Employment in Australia, 1983-1984 to 1994-1995", p.5.

Ten Largest Listed Property Trust Managers by Listed Assets: 2003¹⁴²

<i>Listed Property Trust Manager</i>	<i>Listed Fund Total Assets</i>
Westfield Holdings	\$27.9 billion
Lend Lease International	\$8.3 billion
Colonial First State Property	\$6.5 billion
Stockland Property Management	\$5.6 billion
Macquarie Bank	\$3.9 billion
Deutsche Asset Management	\$3.8 billion
Mirvac Group	\$3.6 billion
ING Management	\$3 billion
Centro Properties	\$2.9 billion
Macquarie Goodman Funds Management	\$2.8 billion

While overall employment in property and business services increased at a rate of around 4.8% a year, from the mid-1980s to the mid-1990s, the small business sector of the industry also achieved a slight increase in its share of employment. Mahmood's statistics for this increase are as follows:

Small Business Increase, in Employment Share, in the Property and Business Services Sector, 1983-1984 to 1994-1995¹⁴³

<i>Small Business Sector</i>	<i>Gain in Employment from Big Business</i>
Property and Business Services	1.1%

Education

As with many of the sectors of industry mentioned above, there are a number of larger-scale concerns offering commercially-run education. A selection of these are as follows:

Selection of Concerns Providing Commercially-Offered Education: New South Wales¹⁴⁴

Aerospace Aviation
Australian College of Applied Psychology
Australian College of Natural Therapies
Australian College of Physical Education
Australian International Conservatorium of Music
Billy Blue Group
Blue Mountains Hotel School

¹⁴² See Property Investment Research website at www.pir.com.au.

¹⁴³ Muhammad Mahmood, "Economic Openness and Small Business Employment in Australia, 1983-1984 to 1994-1995", p.5.

¹⁴⁴ Information provided by the Australian Council for Private Education and Training.

Holmes Colleges
Hotel School International
Insearch
JMC Academy
Le Cordon Bleu Australia
SAE College
Study Group Australia
Sydney Institute of Business Technology
Sydney International Film School
Whitehouse Institute of Design

Between the mid-1980s and the mid-1990s, however, the employment shares of both larger-scale operations, and small business operations, stayed the same. Mahmood's figures, in tabular form, are accordingly:

Small Business Proportion of Employment Share, in Commercially-Offered Education, 1983-1984 to 1994-1995¹⁴⁵

<i>Small Business Sector</i>	<i>Gain in Employment from Big Business</i>
Commercially-Offered Education	0%

CONCLUSION

There is no doubt that small business is an important part of output in Australia, and an important employer. As mentioned above, areas where small business has increased its share of employment are manufacturing, wholesale trade, property and business services, and building. On the other hand, small business (and its operations) are conducted under the shadow of big business in Australia. Big business is not only the bigger employer, but sometimes attempts to shut out small business. In the case of New South Wales, a tabular comparison (based on the figures in section 1 above) underlines the fact that, in most areas of output, bigger business predominates over small business. The fact that, in New South Wales, there are (on average) even fewer people employed in small business, than the national average, highlights this:

Comparison of Average Number of People Employed in Small Business: Australia v. NSW (2000-2001)

<i>Area of Activity</i>	<i>Australia Average</i>	<i>NSW Average</i>
Property and Business Services	4	3
Retail	6	4

¹⁴⁵

Muhammad Mahmood, "Economic Openness and Small Business Employment in Australia, 1983-1984 to 1994-1995", p.5.

Building	6	3
Manufacturing	6	5
Commercially-Offered Health/Community Services	5	4
Wholesale Trade	6	5
Accommodation, Restaurants and Cafes	7	5
Personal and Other Services	2	3
Transport and Storage	6	4
Cultural and Recreational Services	6	3
Finance and Insurance	4	3
Commercially-Offered Education	9	6
Communication Services	9	2

The contrast between the figures for small business employment, for New South Wales and Australia, is thrown into relief by the figures (once more from section 1 above) for average employment in bigger businesses:

Comparison of Average Number of People Employed in Concerns Employing More than 20 People: NSW v. Australia (2000-2001)

<i>Area of Activity</i>	<i>NSW Average</i>	<i>Australia Average</i>
Property and Business Services	72	75
Retail	170	105
Building	111	71
Manufacturing	104	94
Commercially-Offered Health/Community Services	140	114
Wholesale Trade	76	58
Accommodation, Restaurants and Cafes	58	56
Personal and Other Services	66	68
Transport and Storage	39	88
Cultural and Recreational Services	75	122
Finance and Insurance	325	245
Commercially-Offered Education	120	84
Communication Services	228	130

Even if an area of output/production actually expands, such as commercially-offered health and community services, if bigger business then decides to aggressively compete for the business available in that sector of employment, small business is likely to lose its employment share to bigger business. This seems even more clearly demonstrated in the retail sector. It appears that only if an overall sector of business declines (such as manufacturing), or if small business's approach is particularly suited to the tasks required in a particular realm of activity (such as building) can small business actually take employment share away from big business.

Currently the NSW department of state and regional development has a number of assistance schemes for small business. These are as follows:

- **Business Advisory Services** (providing funding to organizations to run metropolitan and regional business advisory services which deliver business information to start-up and micro-businesses across the state)
- **Aboriginal Business Development** (supporting indigenous business people with developing business skills; establishing networks and developing markets)
- **Women in Business** (providing mentoring assistance to women owners of small businesses, to help them develop their ventures)
- **Home-Based Business** (providing planning assistance for home-based businesses, to strategically plan their ventures)
- **Stepping Up** (providing owners of small businesses, already established for at least 2 years, access to a mentor)
- **Business Clusters Program** (assisting groups of small businesses to move from informal alliances to functioning commercial entities)
- **BioBusiness** (assisting small businesses, already commercialising biotechnology, with subsidies for planning costs and the development of their business)
- **Innovation** (providing innovation centers – in Sydney, western Sydney, Hunter and Wollongong – which, in turn, offer hands-on assistance to innovators with new ideas and products)¹⁴⁶

Finally it should be noted that, while having to master the requirements that are specifically essential in small business (development of substantial business experience, acquisition of accurate bookkeeping skills and other abilities), small business will still have to persevere with the pressure exerted on it by big business. In 2004 the Senate Economics References Committee issued a report on protections for small business. One particular recommendation of the committee (recommendation 5) was that the federal government should amend section 46 of the *Trade Practices Act 1974* to state that “a corporation, which has a substantial degree of power in a market, shall not take advantage of that power, in that or any other market”. As matters stand, however, the federal government, although it has a number of programmes to assist small business, seems to have no intention of intervening, substantially, in the relationship between the big and small sectors of business. In November 2004, just over nine months after the Senate Economic References Committee had delivered its report, the current chairperson of the Australian Competition and Consumer Commission (Graeme Samuel) addressed the Australian Graduate School of Management at the University of NSW. In his speech he specifically referred to claims made by two elements of the retail sector (small grocers and petrol service stations) that they had been placed under undue commercial pressure by big operators. His response was

¹⁴⁶

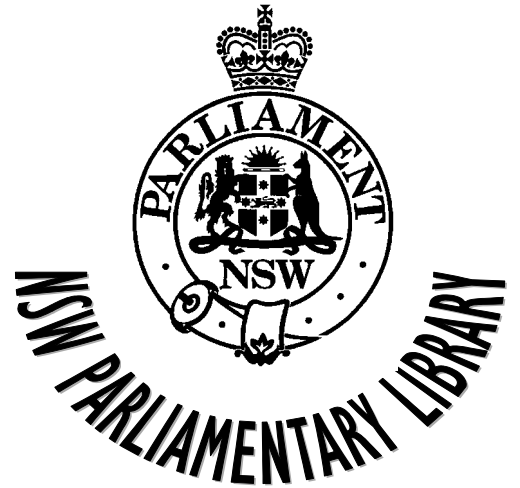
See the “Growing Small Business: Small Business Development Programs” section of the NSW department of state and regional development website (www.smallbiz.nsw.gov.au).

that “The commission cannot interpret its responsibility. . .to mean. . .the outlawing of vigorous, legitimate competition – even where that competition causes difficulties for individual firms.”¹⁴⁷

¹⁴⁷

See the website of the Australian Competition and Consumer Commission at <http://www.accc.gov.au>.

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