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## **Ethnic Small Business and Employment Creation in Australia in the 1990s**

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**Abstract:**

**NESB immigrants continue to bear the greatest burden of economic recession and economic restructuring in Australia in the 1990s. Some groups of NESB immigrants, like the Vietnamese and Lebanese, continue to have rates of unemployment four to five times the national average. There is the danger of the emergence of an underclass of economically disadvantaged and socially isolated immigrants. Given continued downsizing by the corporate and public sector, the best hope of jobs for these NESB immigrants is the ethnic small business sector. In the Australian immigration debate, the economic contribution of immigrant small businesses - and the potential they have in creating jobs and wealth in coming years - seems to have been underestimated. This paper draws on original research generated by surveys of more than 1,600 ethnic small businesses in Australia. It explores in detail the relationship between ethnic small businesses and employment growth and argues that innovative strategies designed to increase both the rate of ethnic small business formation and the success of existing ethnic small businesses will strengthen the Australian economy in general and employment creation in particular. It also shows that Asian immigrants in small business in Australia predict the greatest employment growth potential and the most significant trading growth of all Australian small businesses**

## 1. Introduction.

Although the Australian economy has experienced more than six years of relatively high economic growth since the 1990-91 recession, unemployment has remained above 8 per cent. The contractionary fiscal policy of the first two Howard/Costello budgets and structural factors related to globalisation are leading to increasing retrenchment in the public sector and the corporate sectors of the Australian economy. This paper focuses on immigrant unemployment in Australia in the 1990s. Average unemployment rates for all first-generation immigrants are about 2 per cent higher than the national average. But these averages mask very different unemployment experiences among immigrant men and women in Australia. Some NESB immigrant birthplace groups have very high unemployment rates. For example, the Vietnamese-born and Lebanese-born have demonstrated unemployment rates that have been more than three times higher than the average for more than a decade. Issues related to the emergence of a social underclass emerge when some groups are consistently far worse off in terms of unemployment. How can these entrenched pockets of immigrant unemployment be redressed? A related issue is the problem of an overall reduction to immigrant unemployment rates?

Immigrant unemployment is a complex phenomenon. It is shaped by factors such as language and literacy; recognition of overseas qualifications; perceptions of immigrants' ability to communicate; direct and indirect racial discrimination; globalisation and the restructuring of Australia industry; business cycle fluctuations and macroeconomic and microeconomic policy response; and regional dimensions within cities and regions. This paper explores but one aspect of immigrant unemployment, namely, the relationship between ethnic small business in Australia and employment creation for ethnic minorities. Small business employs nearly one half of all the private sector workers in Australia, with more than half of all small businesses in Australia owned and operated by first or second-generation immigrants (Collins et al., 1996). Small business has always been an alternative to unemployment or inferior employment for NESB immigrants in Australia (Collins et al., 1995: 39-50). In addition, many ethnic entrepreneurs employ family or members of their ethnic communities (*co-ethnics*). NESB immigrants are locked out of new jobs in the corporate or public sector, both of which continue to downsize. It is therefore the small business sector in general, and the ethnic the small business sector in particular, that hold out the greatest hope for jobs for a large part of Australia's NESB ethnic minorities in the late 1990s.

This paper explores the existing relationship between ethnic unemployment and ethnic small business in Australia before exploring possible policy initiatives in the area. Section two looks at the labour market realities for NESB immigrants in Australia in the 1990s to sketch the contemporary dimensions of immigrant unemployment in Australia to day. Section three looks at dimensions of the over-representation of many ethnic groups in small business related activities in Australia. Section four then presents the results from three surveys of ethnic entrepreneurs in Australia that are relevant to the consideration of the link between NESB unemployment and NESB small businesses. Section five looks at the possibilities of establishing a small business as an alternative strategy for unemployed immigrants, while section six identifies the major conclusions of the paper.

## **2. Labour market realities for Australia's NESB immigrants in the 1990s.**

Access to employment is perhaps the most critical factor in determining socio-economic outcomes of Australia's immigrants from non-English speaking backgrounds. The fortunes of wage-earning immigrants have been largely constrained by the patterns of labour market segmentation that have accompanied post-war immigration (Collins, 1991: 78-92). For the period up until the late 1980s, immigrants from non-English speaking backgrounds were concentrated in the unskilled and semi-skilled manual jobs in the male and female labour markets, sometimes called the secondary labour market (Piore, 1980). Low wages, poor conditions, unstable employment and vulnerability to retrenchment are features of this segment of the Australian labour market. One consequence of this is that unemployment during the three post-war recessions - 1974-5, 1982-3 and 1990-91 - has been much higher for immigrants from non-English speaking backgrounds than for immigrants from English-speaking backgrounds or the Australian-born (Collins 1991: 114-9; Ackland and Williams 1992).

As the Australian and international economies restructure, the Australian labour market is transforming. This has differential impacts on NESB immigrants. For some, particularly recently arrived Vietnamese, Lebanese and Turkish immigrants, unemployment rates are four to five times higher than average. Hence in May 1983, when the unemployment rate for the Australian-born was 10.2%, the rate of unemployment among Lebanese-born was 33.6% and Vietnamese-born 30.5%. Much

of the burden of Australian unemployment falls on younger people. A decade later, little has changed. The May 1993 unemployment rates for Vietnamese aged 15-34 years were 52% and Lebanese 43% (Moss 1993: 258).

At the same time, recent immigration flows demonstrate an increasing reliance on immigrants from Asia, mirroring the trends in the other major immigration countries of Canada, New Zealand and the United States (Abella and Lim 1993: 31; Low 1993). In 1990-91, for example, eight out of the top ten source countries of Australia's migrants were Asian (Inglis 1992: 25), while Asians have been the fastest growing overseas-born population group in Australia in the past decade (Khoo et al., 1993:1). Many of these recent Asian-born immigrants possess professional educational and/or managerial expertise, often moving into primary labour market jobs. Hence patterns of labour market segmentation in Australia are changing because of economic restructuring and changing immigration patterns that are themselves products of the international processes of globalisation (Collins, 1996).

### *2.1 Unemployment*

Just as NESB immigrants appeared to bear the greatest burden of the 1974-5 and 1982-3 recessions in terms of disproportionately high unemployment rates (Collins 1991: 115-119), recent studies have confirmed that this is also the case in the 1990s recession. Ackland and Williams (1992:28) conclude that "[i]n the last three recessions, immigrants from NESBs have fared worse in the labour market than either those from ESBs or those born in Australia". Jones and McAllister (1991) reviewed the unemployment experience of immigrants up to 1989 to find that Lebanese and Vietnamese unemployment rates were about four times greater than that of the Australian-born. They also found that immigrants of non-English speaking background who were recently-arrived suffered an unemployment rate two to three times higher than immigrants of English-speaking background who arrived during the same period.

Recent unemployment data for November 1996 allows a picture of immigrant unemployment five years after the economic recession that began the decade. It shows very high rates of unemployment among male and female immigrants born in

**Table 1. Unemployment rates by birthplace and gender, November 1996\***

Birthplace	Male	Male	Female	Female
	Nos.'000	%	Nos.'000	%
<i>Middle East &amp; N. Africa</i>	7.2	19.7	3.7	23.8
<i>Lebanon</i>	2.8	31.7	2.9	50.0
<i>Africa</i>	1.2	4.8	3.1	15.0
<i>South Africa</i>	0	0	1.6	11.8
<i>North America</i>	1.7	9.5	0.3	2.0
<i>USA</i>	1.1	10.2	0	0
<i>Sth, Central America</i>	1.9	12.7	1.5	10.0
<i>Chile</i>	0.9	12.8	1.5	18.0
<i>Northeast Asia</i>	3.3	7.3	3.7	13.5
<i>China</i>	2.7	11.1	3.4	25.0
<i>Southeast Asia</i>	9.6	10.6	9.8	11.3
<i>Philippines</i>	1.3	5.0	0.8	2.4
<i>Vietnam</i>	5.9	18.0	4.7	21.5
<i>Southern Asia</i>	6.6	17.5	3.6	14.9
<i>India</i>	0.6	4.4	0.6	5.2
<i>Europe (include USSR)</i>	15.0	6.9	13.4	9.1
<i>Former Yugoslavia</i>	2.0	9.6	3.2	19.1
<i>Germany</i>	0.5	5.9	0.6	16.1
<i>Greece</i>	0	0	1.6	47.9
<i>Italy</i>	0.2	11.1	0	0
<i>Netherlands</i>	2.8	57.6	0	0
<i>Poland</i>	0.3	3.3	0.3	3.7
<i>UK &amp; Ireland</i>	7.4	5.7	6.3	7.3
<i>New Zealand</i>	4.9	6.4	1.6	3.8
<b>Total</b>	<b>52.6</b>	<b>9.1</b>	<b>42.9</b>	<b>10.5</b>

Source: Australian Bureau of Statistics, *Labour Force Status and Other Characteristics of Migrants*, November 1996 (Catalogue No. 6250.0), p. 14.

\* Migrants who arrived after 1970 and were aged 18 years and over on arrival

NB: unemployment rates of those who arrived before 1970 not included so that southern and eastern European unemployment rates underestimated.

Lebanon, Vietnam, Chile and South Asian. It also shows disproportionately high unemployment rates among women born in Africa and the former Yugoslavia.

While these official unemployment rates indicate unambiguously that non-English speaking background immigrants experience unequal labour market outcomes, they actually underestimate the severity of the extent of unemployment. Official unemployment rates do not include the "hidden unemployed", that is, those without jobs but who are not counted in official statistics. Wooden (1993: 41) concluded in a more recent report, "if discouraged job seekers were included as part of the unemployed...1.8 percentage points would be added to the official unemployment rate for the Australian-born, while the rate for immigrants would be increased by 2.9 percentage points". If the immigrant rate is disaggregated, the real unemployment rate for immigrant men and women from a non-English speaking background would be even higher than 2.9 percentage points above the official rates.

### 3. Australian Immigration, Ethnic Diversity and Small Business

Australia has the greatest proportion of immigrants of all contemporary western societies. In 1995, 22.7 per cent of Australia's population were first generation immigrants (that is, were born overseas). This exceeds that immigrant presence in Switzerland and Canada and greatly exceeds the immigrant presence in Germany, USA, France and the United Kingdom. (see Table 2).

**Table 2. First generation immigrant presence in major countries today**

<b>Country</b>	<b>%</b>
Australia	22.7
Canada	15.6
USA	7.9
Switzerland	18.1
United Kingdom	3.5
France	6.3
Germany	8.5

*Source: System of Observation of Permanent Migration (SOPEMI) 1995:27*

Post-war immigration has also increased the ethnic diversity of the Australian people. The immigration net has been cast across Europe, North and Latin America, Asia, Eastern Europe and Africa, with some 150 nationalities joining in the great immigrant

pilgrimage to Australia (Collins, 1991: 19-38). Many of these immigrants have moved into small business in Australia (Collins et al., 1995). The census data shows that in 1991, 88,363 first generation immigrant males – and 38,662 first generation immigrant women - were employers, comprising 25.3% of male and female employers in Australia. Most of these would be in small business, since 97% of enterprises are small. In addition, 141,257 first generation immigrant males and 65,673 immigrant females were self employed in 1991. They comprise 27.8% of self-employed males in Australia and 26.5% of self-employed females. In 1995, an estimated 239,700 (29%) first generation immigrant males are business operators. (ABS, 1996:12).

**Table 3 Proportion of workforce who are entrepreneurs by gender and birthplace 1991**

<b>Birthplace</b>	<b>Male</b>	<b>Female</b>
	<b>%</b>	<b>%</b>
<b>Korea</b>	<b>30.5</b>	<b>27.7</b>
<b>Italy</b>	<b>25.3</b>	<b>21.7</b>
<b>Greece</b>	<b>25.0</b>	<b>22.1</b>
<b>Cyprus</b>	<b>24.2</b>	<b>21.3</b>
<b>Netherlands</b>	<b>23.2</b>	<b>20.2</b>
<b>Hungary</b>	<b>23.3</b>	<b>19.5</b>
<b>Lebanon</b>	<b>20.2</b>	<b>18.5</b>
<b>Israel</b>	<b>16.9</b>	<b>16.9</b>
<b>Average of above</b>	<b>23.6</b>	<b>20.1</b>
<b>Australia</b>	<b>14.2</b>	<b>11.6</b>

*Source: 1991 census*

Clearly the ethnic diversity of Australian society is matched with an ethnic diversity of Australian small business. Many ethnic groups are, in relative terms, more likely to be in small business than the Australian-born. At the 1991 census, 14.2 per cent of the Australian-born were in small business, if we define the latter as the sum of those who are employers and self-employed. While this slightly over exaggerates the number of small business owners, a few of the employers will be in big business, while a few

self employed will be ‘relabelled’ workers, it is a useful proxy. According to this definition, in 1991 14.2% of the Australian-born male were in small business.

In comparison, as Table 3 shows, nearly one in three Korean males were in small business, as were around quarter of Greek, Cypriot, Dutch and Italian males and one fifth of Lebanese males. These same ethnic groups are over-represented among female small businesses. 11.6 % of Australian-born women were in small business, less than half the rate of small business formation for women born in Korea, Greece, Cyprus, Netherlands and Italy. Women from other birthplace groups, such as Lebanon and Israel also have a significantly higher rate of small business formation than the Australian-born.

If we break down the national aggregates, the significance of immigrants to Australia's small business sector becomes more evident. Hence in 1991 as Table 4 shows, over one in three businesses are owned by first generation immigrants in WA (38.6%) Northern Territory (35.7%), ACT (33.75), while they comprise more than one quarter of all small businesses in Victoria (28.9%), NSW (27.7%) and South Australia (27.5%). In some states, if we add in the small businesses owned by second generation immigrants, ethnic business would comprise the majority of small businesses in WA, NT and ACT and around half of those in VIC, NSW and SA.

**Table 4. Ethnic small business as a percentage of all small business, by state, 1991**

State	%	State	%
New South Wales	27.7	Western Australia	38.6
Victoria	28.9	Tasmania	17.9
Queensland	21.2	Northern Territory	35.7
South Australia	27.5	ACT	33.7

*Source: ABS, Characteristics of Small Business, Australia, 1995, p.13*

The significance of ethnic small business can be seen when we disaggregate the data to look at fish and chip shops and fruit and vegetable shops in Australia. Here we can see that first generation Italian immigrants, who comprise around 2% of the total population, make up one in three of the fruit and vegetable shops in Australia. Similarly, Greek immigrants own one in three fish and chip shops, but are one in fifty

of the Australian population. Ethnic entrepreneurs dominate some sectors of small businesses, but are a minority in others (Collins et al, 1995).

There are, however, some birthplace groups of migrants who have a similar or lower presence as employers or self employed than the Australian-born. NESB birthplace groups in the Australian labour market with a lower proportion of self-employed and employers include Japan, India, Sri Lanka, Vietnam, Indonesia and Turkey. Other birthplace groups have a similar proportion of employers and/or self-employed compared to the Australian-born: China, Singapore, Malaysia, Egypt, Lebanon, Poland, Ukraine and Yugoslavia. ESB migrant groups, such as those born in the United Kingdom, New Zealand, Canada and the USA have a very similar spread to the Australian-born. This pattern varies only slightly between males and females in the Australian labour market.

Clearly ethnic small businesses are of considerable importance, comprising around one half of the small businesses in many states. They are clearly an important part of the story of small business growth in the past decade. Over the period 1983-4 and 1994-5, the number of small businesses in Australia increased by 43%, at a rate of 3.35% per annum. Over the same period, small business employment increased by just under one third (31.8%), or 2.5% per annum. Today the Australian small business sector provides just under half of all private sector employment in Australia. Small business is therefore an important dynamic for economic growth in the Australian economy in general, and to employment growth in particular. The Australia small business sector is a vital cog of the current economy, and will also play a role in the internationalisation of the Australian economy through trade, investment and cultural links.

#### **4. Ethnic Small Business and NESB Immigrant Unemployment**

This section reports on the findings of two major studies on Australian ethnic enterprises. The first is a study of 280 ethnic small businesses in Sydney conducted in two stages (1988 and 1991) called the *Sydney Survey* (Collins et al., 1995). The second is a 1996 survey of over 300 small business owners in Sydney, Melbourne and Perth, 85 per cent of who were from a NESB, called the *National Survey* (Collins et al., 1996). The third is a survey of over 1000 small business men and women who

were enrolled in TAFE courses in 1996, called the *TAFE Survey* (Collins et al., 1996). These surveys enable us to better understand how ethnicity and gender influence dynamics in Australian small business small. They provide information on employment size, ethnicity of employees, recruitment strategies, training activities, and international trading activities of ethnic enterprises. This research highlights the employment growth potential of the ethnic small business sector and has important implications for strategies relating to reducing NESB unemployment rates.

One emerging feature from the *Sydney Survey* was the importance of "family" in small business activities relates to the employment of family members in the business. Family members were a significant proportion of the employees in Sydney small businesses regardless of the ethnicity of the business owners. Hence just over one third of the businesses ran by NESB immigrant men - and one half of the businesses ran by NESB women - reported that between 75%-100% of their staff were family members. Family is most important as a source of labour in businesses run by South American women - over 80% of which rely on family members to fill between 75% and 100% of all jobs - and South American men, where half of all businesses surveyed relied on the family to provide over three quarters of all workers. It is also very important in businesses owned by Asian women: in 60% of such businesses, more than three-quarters of employees were family.

Overall, over one half of the labour employed in businesses owned by NESB women were family members. This is more than double the non-immigrant rate. Similarly, over one third (35.4%) of staff in businesses owned by NESB men were family members. That is, businesses run by NESB males rely on family labour by at least 50% more than non-immigrant males. In this way, the *Sydney Survey* supports the findings from the study of ethnic businesses in other countries (Waldinger et al, 1990).

However non-immigrant businesses were also very reliant on family labour: in one third of the businesses run by non-immigrant women - and in between one-fifth and one quarter of the businesses run by non-immigrant men - more than three-quarters of the employees were also family members. The importance of family labour does not

appear to be solely part of a distinctive "ethnic" strategy for small business in Australia. Rather, family labour is very important in all Australian small businesses.

Clearly, one of the characteristics of ethnic small business in Australia is the high rate of employment of co-ethnics. This finding has important implications for employment creation strategies for NESB immigrant minorities. Specifically, the greater the number and success of ethnic small business in Australia, the greater will be the number of jobs created and the greater the chance of reducing the very high rates of unemployment among some ethnic groups.

One important aspect of the relationship between employment creation and ethnic small business relates to the dynamics of employment recruitment. Current recruitment networks indicate the profile of those who are most likely to be able to gain employment from small business sector growth. Those small businesses that were surveyed in the 1996 *National Survey* were asked: "How do you recruit your employees?" The responses - presented in Table 5 - show that family, community and business networks are by far the most important sources of employment recruitment of ethnic small business. Nearly half of the small business owners born in the Middle East recruit from their family as do about one in three of Asian and Latin American entrepreneurs. European-born female entrepreneurs are the least likely to use family networks to create workers. Family and community networks account for half of the employment recruitment among Middle East, Asian and Latin American-born entrepreneurs. The implication from this is that on average one in every two small businesses are likely to directly recruit co-ethnics via family and community networks. Moreover, given the community nature of ethnic business networks, most of those recruited from this source will also be co-ethnics, while newspapers referred to will often be ethnic newspapers. In other words, existing sources of recruitment of employment by ethnic small business suggest strongly that ethnic businesses do and will employ co-ethnics if their employment base is expanded.

**Table 5**  
**NESB small businesses sources of employment recruitment, (%) by birthplace and gender, (1996 National Survey).**

	<i>Europe</i>		<i>Asia</i>		<i>L.A. *</i>		<i>M.E. *</i>	
	<i>m</i>	<i>f</i>	<i>m</i>	<i>f</i>	<i>m</i>	<i>f</i>	<i>m</i>	<i>f</i>
<b>family</b>	22.4	12.5	28.2	29.7	30.0		47.1	42.9
<b>community networks</b>	18.4	20.8	26.9	32.4	20.0		17.6	28.6
<b>business networks</b>	20.4	20.8	9.0	13.5	30.0		17.6	0
<b>newspapers</b>	22.4	29.2	16.7	10.8	10.0		11.8	14.3
<b>CES</b>	14.3	12.5	12.8	5.4	0	20.0	5.9	14.3

\*Latin America; \*\* Middle East

The employment profile of first and second-generation immigrant entrepreneurs in the 1996 *TAFE Survey* is shown below in Table 6. The results confirm other observations that most ethnic small businesses employ less than five workers. Two in three NESB female small business operators and three in four NESB male small business operators employed less than five workers, including the self-employed who comprised more than one quarter of the NESB male sample and less than one fifth of the NESB female sample.

**Table 6**  
**Current employment size of Australian ethnic small business, 1996 TAFE survey**  
**(% of small businesses surveyed)**

	Self only	1 to five	6 to 10	11 plus	Self only	1 to five	6 to 10	11 plus
	male	male	male	male	female	female	female	female
NESB G1	25.0	41.5	4.9	3.5	16.4	45.9	9.6	2.8
NESB G2	31.1	40.0	8.9	7.7	17.0	53.2	6.4	4.3
ESB*	38.7	37.2	3.6	5.1	17.6	33.0	9.9	6.6

G1 = first generation; G2 = second generation; ESB = English-speaking-background

As Table 7 shows, there were strong intentions of employment growth by ethnic entrepreneurs in the Australian small business sector in 1996. The survey revealed that employment growth was predicted

to be strongest in the small businesses run by third or later generation Australian-born respondents, although the numbers of these businesses contained in the sample, as a “control” is small. Two in three Australian-born male small business respondents - and nearly one in two Australian-born male respondents - predicted an increase in employment in their firms in the coming year. But NESB ethnic small businesses also predicted employment. One in five NESB female and one in three NESB male respondents said that they would increase employment in the next year. Very few entrepreneurs surveyed predicted that their employment would fall in the coming year, with most predicting the same or increased employment size. It is also important to note that the growth in employment was predicted to be greater in those businesses run by males in each category surveyed.

**Table 7**

**Predictions for small business employment growth in coming year (%) by ethnicity and gender, (1996 National Survey)**

	<i>NESB</i>	<i>NESB</i>	<i>AUST</i>	<i>AUST</i>	<i>ESB</i>	<i>ESB</i>
	<i>males</i>	<i>females</i>	<i>males</i>	<i>females</i>	<i>males</i>	<i>females</i>
<b>Increase</b>	32.7	21.2	71.4	44.4	20.0	0
<b>Decrease</b>	2.8	0	0	0	0	0
<b>Remain same</b>	41.1	23.1	14.3	55.6	66.7	66.7

It is possible to break down the NESB data to look at the responses to the question of whether employment in their small business will increase in the coming year by continental grouping. As Table 8 shows, Asian immigrant small business operators predicted the greatest rate of employment creation, with on average one in three predicting that they would take on more employees in the next 12 months. About one in four small business operators born in Europe and Latin America also predicted that they would take on more workers in the next year.

**Table 8**

**Proportion of NESB small businesses that predict that their employment will increase in coming year (%) by ethnicity and gender (1996 National Survey)**

	<i>European</i>	<i>Asian</i>	<i>Latin American</i>	<i>Middle East</i>
<b>males</b>	37.5	39.6	14.3	6.7
<b>females</b>	17.6	28.0	33.3	6.7

The survey of 774 small business people engaged in vocational education and training revealed an expectation of even greater employment growth than the 1996 survey of ethnic small business. Just over a half of all first and second-generation immigrants in the *TAFE Survey* expected to take on more workers in the following year. The greatest expectation of employment growth was among the second generation of NESB businesses. Moreover, it appeared that male-owned businesses were generally more likely to report that they will increase employment in the next year than were female-owned businesses. It is interesting to note that those ethnic small business operators who were currently engaged in vocational education and training were generally twice as likely to report that they would hire workers in the next 12 months. Here is evidence of the economic benefits of vocational education and training.

One important issues that relates to small business and employment creation is whether entrepreneurs set up the business themselves or merely take over an existing one. The former process is clearly more innovative with potential for net employment creation. The latter merely a change in ownership of existing arrangement which could lead to employment growth if the business expands. Two in three male NESB entrepreneurs in the *TAFE Survey* had set up the business, as had one in two female NESB entrepreneurs. This shows the potential for new small business formation is very strong, across all industries, but particularly in construction, health community and personal services and property, business services and finance.

## **5. Ethnic small business and the unemployed**

Strategies to link unemployed NESB immigrants to small businesses are two fold. One set of strategies relates to the potential of ethnic small businesses to generate employment for their co-ethnics. The other suggests that for some NESB unemployed, small business ownership might be an alternative to unemployment. This section looks at the latter, reviewing two possible paths from dole queue to entrepreneurship: one through DEET's New Enterprise Incentive Scheme (NEIS), the other through co-operatives.

Under DEET's New Enterprise Incentive Scheme unemployed people can take advantage of business training and financial access to unemployment benefits in the period in which the business enterprise is established. But to what extent does the NEIS scheme help NESB men and women to achieve the transition from unemployed

to entrepreneur? A NEIS Pilot Program for migrants was established in response to a recognition of the problems encountered by NESB migrants in particular in accessing NEIS. The pilot program was also intended to identify barriers to ethnic organisations becoming managing agents of the program.

In an evaluation of this pilot program, DEET (1995) found that in 1994/95, NESB migrants comprised 20% of these people who had started their own businesses through the NEIS program. This migrant rate had increased to 30% by November 1995. Some of the barriers to NESB migrants in accessing and participating in NEIS were identified as a result of the low level of English language and literacy skills of NESB immigrants. This caused a variety of problems: a lack of awareness of training opportunities; difficulty in competing with ESB people for NEIS assistance; reluctance to participate in mainstream 'classroom style' NEIS training; difficulty in establishing networks within the ESB community; and difficulty in approaching financial institutions for loans.

The review also noted that cultural factors play a part. It mentioned the inadequate cultural awareness skills of some mainstream bodies; the view that NESB migrants are too difficult to assist; and the lack of familiarity of NESB migrants with the Australian business environment, taxation and legal requirements. In addition, NESB immigrants have confronted administrative inflexibility in terms of the inadequate recognition of overseas qualifications and skills and the insufficient identification by the Commonwealth Employment Service of whom the term 'Migrant Disadvantaged' applies to. The report also identified a number of barriers, which prevented ethnic organisations from setting up as new managing agents of NEIS, including a lack of experience by ethnic organisations in administering the NEIS program. Other problems included: the dependability of existing staff and resources and the lack of an enterprise focus due to the community services traditionally being provided.

Key strategies recommended for use by mainstream managing agents to improve the quantity of NESB participants included:

- using marketing strategies which utilised links with local migrant organisations and used a combination of English and community languages in advertising strategies;
- offering pre-NEIS courses to NESB clients for more equity with ESB clients in competing for courses;
- Ensure that curricula delivery made and staff are culturally and linguistically sensitive (DEET, 1995).

### *5.2 Small business co-operatives for NESB immigrants?*

Another piece of research relevant to the discussion about the relationship between NESB unemployment and small business comes from a project designed to investigate the potential of small business as an alternative to unemployment for NESB immigrant women. The key question of the research was this: "Is it possible to get unemployed NESB immigrant women together to combine their - often unrecognised - skills to form small businesses as a pilot study of what may be possible on a larger, national, scale? If the answer to this question was affirmative, a number of other important questions emerged: What areas would the small businesses be in? How should the organisation of the small business be arranged? And what about financial and legal matters? What assistance would these NESB immigrant women need in establishing their small business? Could these women also tap into TAFE courses on different aspects of small business? What about marketing? What about using ethnic connections to promote the pilot study and publicise the pilot small businesses established? How could funding to support his pilot program be arranged? Could low-cost start-up loans be arranged? Is a co-operative the best legal/social/economic form of organisation for the small business?"

The research found (Collins, mimeo, 1993) that one feasible alternative strategy for unemployed NESB immigrant women was to assist them to set up co-operative small businesses. Co-operatives allow unemployed NESB immigrants to come together in a critical mass to form a business enterprise which would be not possible through the traditional private ownership model because of the lack of start up capital and access to finance and training that they face as unemployed. A public meeting of unemployed NESB women, held in 1992, revealed their enthusiasm for the chance to attempt to take the small business option to their unemployment situation. Women from across ethnic backgrounds expressed willingness to form small business collectives across four areas: cleaning, clothing, cooking and childcare. The main conclusion is that the small business sector offers an excellent chance for NESB women to escape unemployment.

The main recommendation from this research project was for a pilot program based on setting up four pilot small business co-operatives in the areas of clothing,

childcare, cleaning and cooking. The small businesses would be registered as co-operatives to ensure legal and other matters are properly arranged. A low interest loan was found to be the preferred way to raise capital for the business. For such a pilot program to get off the ground, funding for one full-time community worker would be required to assist in the administration and organisation of this pilot program. Duties would be to liaise with funding and loaning bodies, provide advice about registering as a co-operative, arrange TAFE or other training programs, provide advice on other matters of business.

Unfortunately, government department's approached about this study did not agree to provide the funds required to establish this pilot program. Nevertheless, the research indicates that there is a demand for such innovative programs and that the co-operative model may have much more relevance give the very high rates of unemployment that prevent the traditional path to private small business ownership to be pursued.

Policy initiatives to encourage small business growth and success require further investigation. The Carr Government in New South Wales is at present developing a strategy for supporting ethnic small business, and is exploring the ways in which through co-operatives or other arrangements whereby ethnic small business growth might be linked to strategies to reduce high unemployment rates in particularly disadvantaged NESB communities.

## **6. Conclusions**

Australia's ethnic communities have a strong small business tradition. Many ethnic groups are - in relative terms - over-represented among the small business sector, while others have a significant, though lower, small business presence. At the same time, many of the newer NESB immigrant communities face rates of unemployment much higher than the national average. The paper has reported on the importance of the Australian small business sector for employment growth in the late 1990s.

The research has shown how reliant ethnic small business are on employees from their family or community: there is a strong trend to employ co-ethnics in their small businesses. The corollary of this is that one strategy to reduce Vietnamese and

Lebanese unemployment in particular - and NESB and other unemployment in general - is to focus on increasing the rate of small business formation of NESB immigrants from Vietnam of Lebanon and/or to introduce strategies to enable existing ethnic small businesses in Australia to grow and expand their employment base. This research indicates that about one in three NESB small businesses intend to increase their employment in the coming 12 months. This is hard evidence of the wealth and employment generation of contemporary ethnic small business in Australia.

At the same time, the very forces that have generated apparently permanent higher unemployment rates in Australia in the 1990s also generate barriers to new ethnic small business formation. Long periods of unemployment increase the desire for - but substantially reduce the opportunity of - NESB immigrants to establish new businesses. At the same time, while the NEIS scheme appears to be taking in an increasing number of NESB immigrants, there is much more work to be done to encourage unemployed NESB men and women to make the transition from unemployed to entrepreneur. This paper suggests that co-operative small businesses might be ideal in enabling people - otherwise incapable of establishing a small business in their own right because of their unemployment - to establish a new small business enterprise.

At the same time, programs and policies to help ethnic small business formation among the employed and to help existing ethnic small businesses to expand will have the pay off - if successful - of increasing employment opportunities particularly for those in the same ethnic group as the small business owner. Hence one strategy to reduce Vietnamese and Lebanese unemployment to fall substantially would be to establish a package of policies ranging from:

- i) Improving unemployed NESB immigrant access to - and success in - NEIS;
- ii) Establishing help for unemployed NESB immigrants to form small business co-operatives;
- iii) Developing policies to encourage a greater number of employed NESB men and women to establish their own business, including improving matters relating to access to bank finance and access to relevant education and training ;
- iv) Developing policies to enhance the performance of ethnic small business, including those who are engaged in export/import activities.

- v) Developing ethnic-specific strategies for small business creation and expansion, with a high priority targeted at those with the highest and most intransigent unemployment rates.

For whatever reason, immigrants of all types and backgrounds have been attracted to small business ever since immigration has been a feature of Australian life. This chapter in the story of Australian immigration has often been overlooked in the eagerness of many to link immigration with economic costs rather than benefits. Despite these voices, it is important to establish the rightful place of ethnic enterprises in the Australian immigration history, to acknowledge the economic contribution that they have made to date and to utilise ethnic small businesses more effectively in the fight against the development of an immigrant underclass in Australia.

Clearly ethnic small businesses in Australia make a very significant economic contribution. Jobs, wealth and exports are the products of this contribution, with ethnic small business men and women leading the charge in the renaissance of the Australian small business sector over the last two decades. This point is often overlooked in the debate about Australian immigration in much the same way as the Australian small business sector is often overlooked in debates about the Australian economy.

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