

**Submission  
No 18**

## **SUPPORT FOR START-UPS IN REGIONAL NEW SOUTH WALES**

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# Inquiry into Support for Start Ups in Regional NSW

## Introduction

The Foundation for Young Australians (FYA) welcomes the opportunity to contribute to the Inquiry into Support for Start-Ups in Regional NSW.

FYA is committed to young people, their futures and the contribution they can make to Australia. Our work, informed by strong evidence, research and evaluation, backs young people and informs the national agenda on the issues that most affect them. FYA believes young people are ambitious, creative and capable of rethinking the world and solving tomorrow's problems today.

- We **inspire** young people by providing ideas, inspiration and opportunities to connect young people to inspiring, purposeful futures.
- We **back** young people by building the capabilities and knowledge young people need to thrive in the future.
- We **connect** young people by building a network of inspired and inspiring young Australians.
- We **transform** the way government, industry and community sectors engage young people to rethink the systems that shape the world.

The Committee on Investment, Industry and Regional Development in NSW has invited submissions to its inquiry into support for start-ups in regional NSW. According to a 2017 report from Universities Australia and Startup Muster, nearly a quarter of Australian start-up businesses are founded outside of capital cities and start-ups are projected to create more than half a million jobs across Australia over the coming decades. The Committee have called for submissions to examine what support for start-ups is currently available both within and outside NSW and how to make it easier for regional start-ups to get up and running.

The Committee will be looking at the effectiveness of state government policies and programs aimed at supporting start-ups in regional areas, and new initiatives to reduce barriers to entry for start-up businesses.

## Background

Australia is undergoing the most significant disruption in the world of work since the industrial revolution, and how we respond has huge implications for the next generation. The shifts in the local and global economy are creating new opportunities for our industries and our way of life, but they also present significant challenges and failure to act will see our nation, and our young people, left behind.

Over the last three years FYA has produced the *New Work Order* series of reports to better understand the economic and social conditions affecting young people today and into the future and to chart a course for how we best prepare young people to drive economic and social progress in decades to come<sup>1</sup>.

Young people are facing a rapidly changing world of work with research indicating young people will have on average 17 different jobs across five different industries throughout their lives. The traditional

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<sup>1</sup> [New Work Order - Ensuring young Australians have skills and experience for the jobs of the future, not the past](#), Foundation for Young Australians, 2015 and [The New Basics](#), Foundation for Young Australians, 2016

employment relationship is likely to become more fluid with people holding portfolios of activities, including paid employment, unpaid employment (internships or volunteering) and self-employment.

However this also a time of great opportunity. Globalisation, technology and flexibility offer particular opportunity to those in our regional areas where there is now the opportunity to create high impact businesses from the places people live.

Amid these changes, young people need to be recognised and understood as Australia's greatest resource. As our population ages and as a result our workforce shrinks, the ability of our growing youth population to participate in, contribute to and shape our economy will be crucial in delivering equity and opportunity for all Australians.

In regional and rural Australia young people need new skills and job pathways. Self-employment and new enterprise are real and important employment pathways in the New Work Order, however most young people in regional areas do not have access to the skills, networks and resources to pursue them. New levels of connectivity have however brought opportunities to regional Australia, but more work remains to build capacity to support young people to learn, collaborate and build their own enterprises from within the places they live.

As regional economies wane and communities are ever increasingly worried about the 'brain drain' of young people leaving for work opportunities it becomes even more important to harness young people as key drivers for economic renewal. There is a tremendous opportunity to harness this potential by offering the right opportunities (networks, skills and resources ) and thereby enabling young people to adapt to the New Work Order, grasp the opportunities presented and drive economic renewal.

In the words of the Reserve Bank of Australia: *'This generation of young people will [need to] promote innovation and entrepreneurialism and grow our economy to maintain our standard of living.'* Phillip Lowe, Deputy Governor of the Reserve Bank of Australia, 2014.

To support young people to navigate these changing labour markets and shape these opportunities, Australia will need to invest to ensure they are innovative, creative and enterprising.

## **FYA Response**

Nearly a quarter of Australian start-up businesses are founded outside of capital cities and start-ups are projected to create more than half a million jobs across Australia over the coming decades, according to a report from Universities Australia and Startup Muster published in March 2017, entitled *'Startup Smarts: Universities and the Startup Economy'*.

## I AM A YOUNG ENTREPRENEUR, AND HERE'S HOW YOU CAN HELP ME

the young entrepreneurs of the G20 hold the key to solving our youth unemployment problem, but we must help them to achieve their potential. Their key concerns are as follows:



Source: EY 2013

International research has identified a set of common challenges which young entrepreneurs need support to overcome. This includes some challenges that are more common in young entrepreneurs including a lack of confidence and fear of failure, a lack of networks and engagement with stakeholders, the inability to generate finance due to having less savings and the equity to generate loans and a lack of business/management skills<sup>2</sup>.

Adding to these generic challenges, FYA conducted research in 2015 on how young entrepreneurs could be better supported in their local areas. This research revealed that:

- Young entrepreneurs are not taken seriously or thought of as capable because they are young (there is a 'monotonous idea of what young people should be involved in')
- Young entrepreneurs don't know where to start or lack knowledge and/or experience to enable them to kick-start a venture
- Young entrepreneurs lack local networks and don't know what support there is or how to get it
- Young entrepreneurs had less opportunity to get support in the interface areas
- A lack finance either in the form of start-up funding, access to grants and other supporting infrastructure
- A lack of business and finance skills (that are not being provided through the education system).

(*Engaging young people to solve challenges: How Councils can support Young Entrepreneurs, FYA, 2015*)

<sup>2</sup> Yitshaki et al, 2008; Schwab Foundation, 2009; Clemensson & Christensen, 2010; Hofer & Delaney, 2010/11; Fatoki & Chindoga, 2011; Hoogendoorn et al, 2011; Villeneuve-Smith, 2011.

We believe there is a real opportunity to grow the Start-Up Sector in regional and rural NSW and Australia. However there is also a very real risk that the pipeline of potential entrepreneurs could be thin. Young people in regional areas often do not have access to the skills, networks, resources and critically the mindset, to pursue entrepreneurship pathways.

## Barriers for young people in regional areas

In regional NSW there is a significantly greater prevalence of youth unemployment of up to 30% compared to the national average of 13%. As the employment landscape continues to change, geographically isolated young people are at greater risk of lacking access to the networks, support and training more readily found in urban areas.

Young people are vital to the reinvigoration of our regional and rural communities and to the development of new high-growth businesses and innovations across our country. Yet they are often left out of local decision making for economic and social development, and face significant barriers in accessing support and finance for their startup ventures particularly in regional areas. NSW Government initiatives in this area should focus on putting young people at the centre to create sustainability in local economies and connect them to global opportunities, including in Indigenous communities. FYA advocates for the creation of regional hubs to support and enable youth-led economic development, including start-ups. Regional hubs would provide pathways for young people in regional NSW to develop local enterprises with the support of peer networks, shared infrastructure, access to training and local mentors all within a collaborative environment.

To understand how FYA could better support young people in regional areas, FYA has recently been engaging with regional communities across Australia to understand the barriers to young people creating their own start-ups in the places they live. This year we have engaged with Wagga Wagga, Byron Shire, Hunter Region, Mackay, Rockhampton, Darwin, Beechworth, Bendigo, LaTrobe Valley, and Geelong. All these regional areas share the same concerns and identify similar problems for young people exploring entrepreneurship.

- **Lack of 'Entrepreneurial Mindset'** - Perceptions of entrepreneurship not being 'real' employment is perceived as the overriding barrier in all areas. Young people do not see themselves as potential entrepreneurs and neither do schools, council and local business. Usually there is a single local champion or a small cluster of people who are keen to introduce entrepreneurship to young people in the area.
- **Limited networks for knowledge, support and inspiration** - Networks were limited to the community in the local area limiting learning, mentoring and business opportunities.
- **Lack of something to aspire to and thrive in** - The narrative in every regional area, particularly by schools, seems to be 'you need to leave to succeed'. Regional representatives also felt there was nowhere for young people to direct their entrepreneurial ambitions towards.
- **Lack of skills and resources** - Limited training (such as Lean Canvas or business skills) and equipment (such as new tech e.g. Makers Spaces) available.

### FYA recommends the consideration of the following strategies:

- Promoting entrepreneurship as a viable career option to school and tertiary students through in-class programs such as FYA's \$20 Boss.
- Providing strong start-up incentives for young people including income support, grants, loans with preferential terms, tax exemptions and guidance/coaching.
- Funding to support the ongoing development and expansion of a national youth entrepreneurial eco-system, a broad network to provide the relevant support young people need. Specific strategies must be included to ensure regional engagement and the building of diverse cohort of entrepreneurs.

- Piloting Launch Clubs in regional NSW.

## Launch Clubs

Based on both FYA's research and community consultation and engagement, FYA believes that regional areas would specifically benefit from a network of youth-led enterprise hubs that enable young people to learn, design and create their own jobs. We have built a model around this called *Launch Clubs*.

Launch Clubs will be a significant addition to the NSW entrepreneurial ecosystem. Working with each community to address local needs and activate local assets, Launch Clubs will offer training and business support and foster collaboration and entrepreneurship in a facilitated co-working community of young people. Launch Clubs will be led by local young people trained as Enterprise Coaches and Launch Club Ambassadors. The Launch Club will also work with local government, business and community organisations to advocate for and ultimately gain contracts for its members. Launch Clubs do not have to be stand alone hubs and in fact would benefit from being integrated into other co-working spaces and/or accelerators.

### Model

Youth led enterprise hubs for enterprise development in regional Australia

**Shared Space and Services** A locally unique space to serve as the home of the Launch Club. Could include co-working, makers space, fablab, food hub, meeting and social spaces. Curated business advice and services available through a shared platform.

**Purposeful Collaboration** Trained Enterprise Coaches will facilitate the Launch club to: host the co-working space, build the Launch Club community, connect members with each other and suggest project teams

**Youth Leadership** Local young people recruited and developed as Launch Club Enterprise Coaches and Ambassadors

**Training:** Local and national training opportunities for Launch Club members including 'How to Create your Own Job bootcamp', YSP and mentoring

**Advocacy:** Launch Club Ambassadors engage with local business, government and community organisation to promote its members as individuals or teams for local procurement