



On the brink: how business owners experience business-related and other legal problems

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Abstract: *New analysis of LAW Survey data has identified three distinct groups among business owners according to their likelihood of experiencing business-related and other types of legal problems – ‘normal’, ‘highly elevated’ and ‘extreme’. As is the case with individuals, a relatively small proportion of business owners account for the bulk of problems. Targeted legal assistance services are needed for this group.*

Source

This paper presents new findings from the Legal Australia-Wide Survey (LAW Survey). The first major findings for Australia as a whole were published in *Legal Australia-Wide Survey: legal need in Australia* by Christine Coumarelos, Deborah Macourt, Julie People, Hugh M. McDonald, Zhigang Wei, Reiny Iriana and Stephanie Ramsey (2012).

About the LAW Survey

The LAW Survey provides a comprehensive assessment of a broad range of legal needs of a representative sample of the population. It covered 129 different types of civil, criminal and family law problems. It examined the nature of legal problems, the pathways to their resolution and the demographic groups that struggle with the weight of their legal problems. With 20,716 respondents across Australia, the LAW Survey allows for in-depth analysis at both the state/territory and national level. The nine LAW Survey reports are available at www.lawfoundation.net.au/publications

Introduction

The structure, activities and transitions of businesses all present opportunities for legal problems to arise, and these problems can cause instability in both businesses and the lives of owners, depress economic growth and increase vulnerability to further legal problems.¹ The LAW Survey captured details of the business-related and other legal problems faced by 2,611 business owners across Australia. Of these, 326 (13%) reported having experienced one or more business-related legal problems during the previous 12 months.²

How legal problems cluster

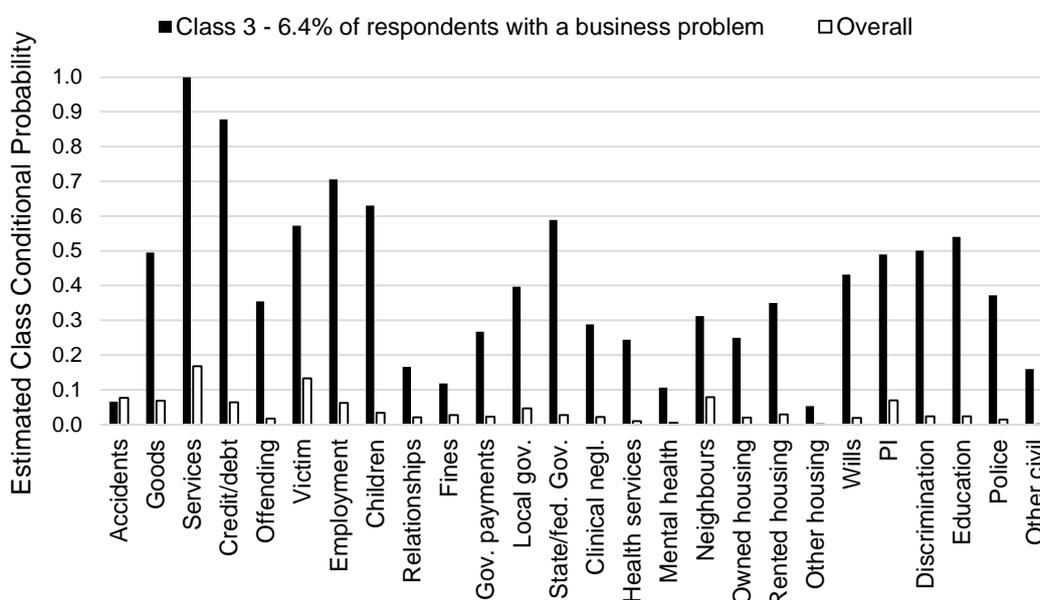
Business owners who reported business-related legal problems had a higher prevalence of all types of non-business-related legal problem types, compared to both business owners who had not faced business-related problems and other LAW Survey respondents. In fact, just 15 per cent of business owners who had faced business-related legal problems faced no non-business-related legal problems, while 26 per cent reported more than 10 non-business-related problems.



New latent class analysis suggests that those respondents who faced business-related problems can be divided into three main groups – ‘normal’, ‘highly elevated’ and ‘extreme’ – according to their likelihood of experiencing other types of problem.³ The ‘normal’ group accounts for just over 40 per cent of those who had experienced business-related problems. This group’s experience of non-business-related legal problems was broadly comparable to LAW Survey respondents in general. The ‘highly elevated’ group accounts for 52 per cent of those who had experienced business-related problems. Among this group, non-business-related legal problems were higher across nearly all problem types (sometimes five times higher or more). The

‘extreme’ group accounts for just over six per cent of those who had experienced business-related problems. For this group, as illustrated by Figure 1, problem prevalence increased dramatically across nearly all problem types. In fact, there was a more than 20-fold increase in the likelihood of problems concerning mental health, offending, state and federal government, health services, discrimination, education, wills and unfair police treatment. Looking at the profile of respondents in each of the three groups, although numbers were small, those in the ‘extreme’ experience group could be clearly differentiated from those in the ‘highly elevated’ and, particularly, ‘normal’ groups, in being far more likely to exhibit indicators of disadvantage.⁴

Figure 1: The third group of business owners – with ‘extreme’ prevalence of non-business related problem types



Note: ‘Overall’ is problem experience for all 20,716 survey respondents. 326 business owners with business problems were included in the ‘latent class’ statistical analysis, of whom 6.4 per cent (n=21) formed the third group of business owners with ‘extreme’ prevalence of other problem types.

Implications

Business-related and non-business-related legal problems faced by business owners are far from uniformly distributed. In fact, as is the case with individuals, a relatively small proportion of business owners account for the bulk of problems.

This has implications for the level of support provided to business owners – both in their business activities and in their lives more

generally. Legal problems can impact negatively both on businesses and the lives of business owners. The high concentration of legal problems among six per cent of business owners suggests that legal assistance services should be targeted at this ‘extreme’ group.

These findings reinforce earlier research which argues for the need for timely and integrated legal assistance services.⁵

Endnotes

- 1 P Pleasence & NJ Balmer, *In need of advice? Findings of a small business legal needs benchmarking survey*, Legal Services Board, London, 2013.
- 2 Business-related legal problems' are here defined as problems with payments relating to business ownership or other problems relating to business ownership. It is also to be noted that the LAW Survey did not collect data regarding the size of businesses that were owned although the great majority would have been small businesses operating in the household sector.
- 3 Based on the smallest possible Akaike information criterion (AIC), which is a common measure to decide how many latent classes should be extracted.
- 4 For example, over half of the 19 respondents in the 'extreme' experience group had a disability, compared to 26 and 17 per cent in the 'highly elevated' and 'normal' groups, respectively. Likewise, around one-third of respondents in the 'extreme' experience group received their main income from government payments, compared to 13 and 4 per cent in the 'highly elevated' and 'normal' groups, respectively.
- 5 P Pleasence, C Coumarelos, S Forell & HM McDonald, *Reshaping legal assistance services: building on the evidence base: a discussion paper*, Law and Justice Foundation of NSW, Sydney, 2014.