

Entrepreneurial & Small Business Women Australia sounds alarm on wage increase impact on small businesses

Independent advocacy group Entrepreneurial & Small Business Women Australia (ESBWA) has submitted a comprehensive report to the Fair Work Commission highlighting the damaging effects a wage increase would have on struggling small businesses.

In its submission the organisation which represents over 13,000 members of Australia's female-led small business community says the proposed wage increases will have a disproportionate impact on businesses run by women.

Founder and CEO of ESBWA Amanda Rose says, "Small businesses are the backbone of the Australian economy, yet their interests are passed over in favour of big corporate players time and time again. The bleak economic outlook at the moment is causing many small business owners to make difficult trade offs from choosing to outsource to overseas workers to reducing their own pay packet. Small businesses are already losing out to larger businesses as they are less able to absorb increasing costs; the wage increase will make it even harder for them to compete and stay afloat."

Amanda warns the effect of small business closure will reverberate across the economy, drive an uptick in unemployment and dampen innovation and business competition. Inflation and rising operation costs are eating into thin profit margins and pushing record numbers of businesses to closure. According to ABS data there was an entry rate of 5% for businesses and an exit rate of 5.3% in the December quarter of 2023.

In ASIC's December 2023 report on corporate insolvency the struggles of small businesses featured heavily, particularly those with 20 employees or fewer. 52% of businesses said that cash flow or high cash use was a problem. Further data from the Australian Small Business Ombudsman reveals 43% of small businesses aren't making any profit at all.

Says Amanda, "Small businesses employ over 42% of the private sector workforce so more needs to be done to stem the tide of closures before it leads to massive job losses. Economic pressure is intensifying and small business confidence is at an all time low. We need a more balanced approach that supports both businesses and workers in these trying times."

A survey of small business owners conducted by ESBWA found that an increasing number of businesses were considering outsourcing overseas due to the high cost of local employment and

associated payroll taxes. Some small businesses, many of which employ fewer than 20 staff are having to employ a HR manager to deal with complex legislative requirements especially in light of new legislation on the right to disconnect, workplace flexibility, and leave entitlements.

Rather than a wage increase which could force small businesses to reduce staff or increase prices, ESBWA is calling on the government to action policies which will support small businesses without increasing the cost of employment. The organisation recommends:

- Implementing tax cuts and other measures to reduce economic pressure on small businesses.
- Supporting low-income earners through methods other than wage increases.
- Thoroughly engaging with small business owners on policy implementations which directly impact their viability.

“When implementing new policies, the government must make room at the table for small business owners who may struggle to be heard. While we acknowledge the difficulties of low wage earners, the solution is not to increase pressures on the small businesses which employ them. We must minimise disruptive legislation changes and make it easier for small businesses to continue employing Australians.”

Full submission here - [c2024-1-sub-esebwa-2024-03-28.pdf \(fwc.gov.au\)](#)

-ENDS-

*All data above and within the submission has been referenced to the relevant sources. This submission is drawn upon factual information as well as experience on the ground with our small business community.