

Small firms need cost relief as the effects of COVID-19 remain: COSBOA

BUSINESS

Rising costs, skills shortages, and reduced discretionary spending by consumers are the top challenges impacting small business this year, a recent report reveals.

By [Miranda Brownlee](#) • 30 May 2023 • 4 minute read

Australian small businesses are being impacted by the long-tail effects of COVID-19 through increased costs and decreased revenue, according to a report by the COSBOA.

The *Small Business Perspective Report 2023* found all businesses are now experiencing financial strain “due to a perfect storm of global and domestic pressures”.

Almost all industry leaders surveyed agreed costs are a more significant concern for small businesses now than they were 12 months ago.

“Most industry leaders report significant increases in the cost of energy, labour, insurance and rent over the past 12 months,” the report said.

“Cost of living pressures fuelled by successive interest rate rises have also significantly reduced consumer discretionary spending and overall revenue in almost all sectors.”

Successive interest rate rises were one of the costs that the report found had impacted businesses across all sectors, the report stated.

“Industry leaders agreed that cost of living pressures, fuelled in large part by rising interest rates, have significantly impacted small businesses in their industry over the past 12 months,” the report stated.

The biggest risk of continued interest rate rises for small businesses identified in the report is their negative impact on consumer discretionary spending.

“Small businesses mostly work on small margins, and the continued effect of limiting people’s ability to spend is either that many small businesses will reduce their offerings to the bare essentials, or that they close,” the report said.

Rising energy costs were another significant concern for small businesses in most sectors.

More than two-thirds of industry leaders reported energy costs had significantly increased for small businesses in their sector over the past 12 months.

Efforts to improve energy efficiency were perceived to be too costly or difficult for business owners to implement, given their thin margins and lack of time.

Small businesses across hair and beauty, childcare, retail, engineering, ICT, hospitality, manufacturing, and transport and logistics industries were the most impacted.

COSBOA's report also reiterated the concern of small businesses regarding labour shortages and the increasing wage entitlements which were driving up the cost of production.

"Additional wage increases were viewed by leaders in some sectors as unsustainable in light of labour shortages and already rising costs elsewhere," the report said.

"Continued wage increases are not viewed negatively in and of themselves, but as something that should be coupled with flexibility in industrial relations laws and investments to improve productivity."

The report found skilled labour shortages were a particularly pertinent issue for small businesses.

"These shortages were associated with broader labour market supply challenges including access to training, and were viewed as contributing to price rises and the broader inflation challenge," the report said.

The report also found that small businesses are struggling to compete against larger organisations for skilled labour.

"Industry leaders mentioned that skilled workers are in a buyer's market, meaning that they have greater choice than usual over where they work," the report said.

"Larger companies which have greater capacity to scale their salary offerings have the advantage over small businesses in hiring and retaining talent as a result."