



COUNCIL OF

**SMALL BUSINESS
ORGANISATIONS
AUSTRALIA**



SMALL BUSINESS DATA REPORT

 **Square**

AUGUST 2022

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SECTION ONE

Introduction

INTRODUCTION - CHAIR

With the government's Jobs and Skills Summit poised to bring industry and union representatives together to discuss post-pandemic workforce challenges, COSBOA has the opportunity to offer the small business perspective in a way it has never done before.

COSBOA has traditionally been recognised for its ability to draw on anecdotal evidence from its base of 45+ industry associations in its conversations with media, governments, and regulators. Now that anecdotal evidence of small business sentiments and struggles will be supported with real and up-to-date data, representing an exciting new chapter for the nation's peak body for small businesses.

This will be the first report in a quarterly series that compiles existing data sets to reflect the reality for small businesses.

All too often we hear politicians and government departments discuss macroeconomic figures such as unemployment rates, new ABNs, and sentiment surveys; figures which *include* big business data. There is recognition among data providers that there is insufficient information to reflect what small businesses – and the broader community – are seeing on the ground.

With this series we endeavour to offer an additional perspective to be considered by bureaucrats, and to challenge some of the macroeconomic data that is often too heavily relied upon to make policy decisions.

The purpose of this quarter's report is to highlight the number one issue facing small businesses at the moment – workforce shortages. It is an issue that has been raised by COSBOA members for many months now.

Matthew Addison
Chair, COSBOA

STATEMENT FROM OUR SPONSOR

Square builds technology that helps businesses of all types and sizes to start, adapt and grow: from payments to point of sale software; loans to loyalty programs.

We're constantly talking to our sellers about their biggest challenges and bring products to market that can help address these issues. As staff shortages remain top of mind, business owners are looking for technology that can help them do more with less, and insights that can help them navigate the current economic landscape.

We want the COSBOA and Square Small and Micro Business Index to serve as a longstanding resource for small businesses, as well as policymakers and the broader community, to help grow and sustain a thriving small business sector.

Square's core belief is that everyone should be able to participate and thrive in the economy, and small businesses are critical to the Australian economy. We're proud to be partnering with COSBOA on this report, and will continue to support their tireless advocacy and support of Australia's small business community.

Sincerely,

Samina Hussain-Letch



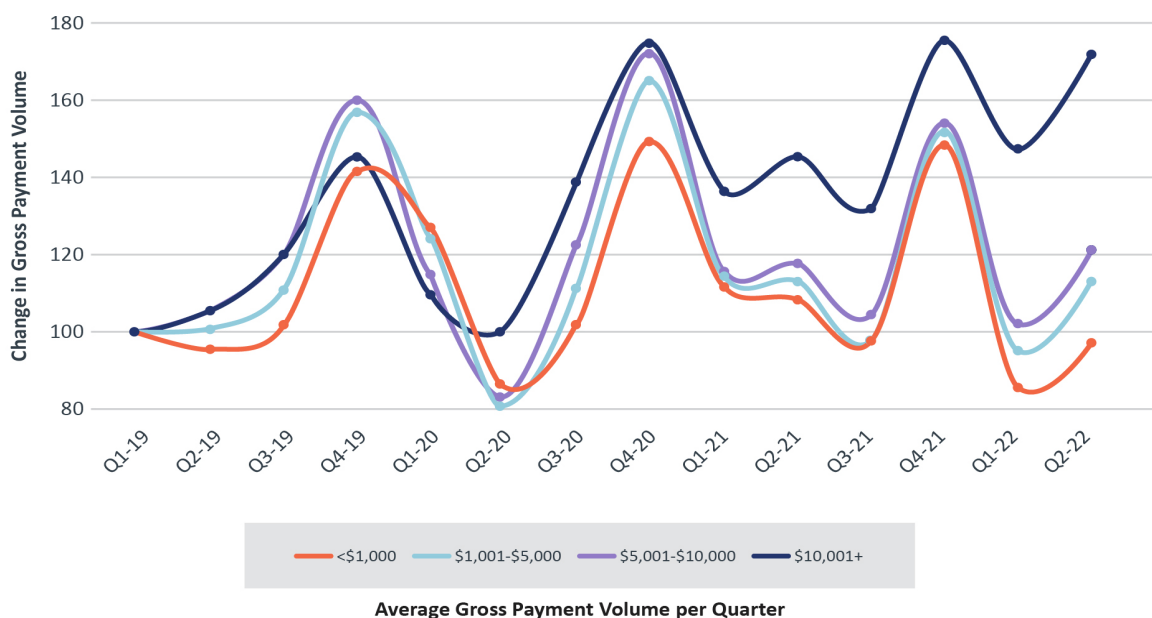
SECTION TWO

GRAPHS AND COMMENTARY



GRAPHS AND COMMENTARY

Square Sales Data



SOURCE – SQUARE AUSTRALIA

Small and micro businesses were significantly impacted by COVID-19 lockdown measures. But rather than give up, our sellers demonstrated their resilient best and adapted. Some pivoted and set up an ecommerce store through Square Online; others took out a Square Loan to invest in a new part of their business like delivery. These changes are now beginning to show their value as businesses show a sharp improvement in mid-2022.

After steady growth through 2019, businesses of all sizes suffered from a significant dip in sales as COVID began to take hold in Australia. Larger small businesses (those with a quarterly gross payment volume of over \$10,000) didn't see as much of a drop as their smaller counterparts and were able to recover faster. Larger businesses were also more resilient during subsequent lockdowns to follow over the next few years.

The data shows that micro businesses (with a quarterly gross payment volume of less than \$10,000) may have had a harder time adapting to COVID-era shopping practices and suffered from a lack of foot traffic, less involvement in ecommerce, as well as consumers allocating their spend to more established and well-known smaller businesses.

With sharp increases to supply costs, business loans, extreme limitations to workforce availability, and changes to the way in which people interact with businesses, small business are looking to survive now – and hopefully thrive again in the future.

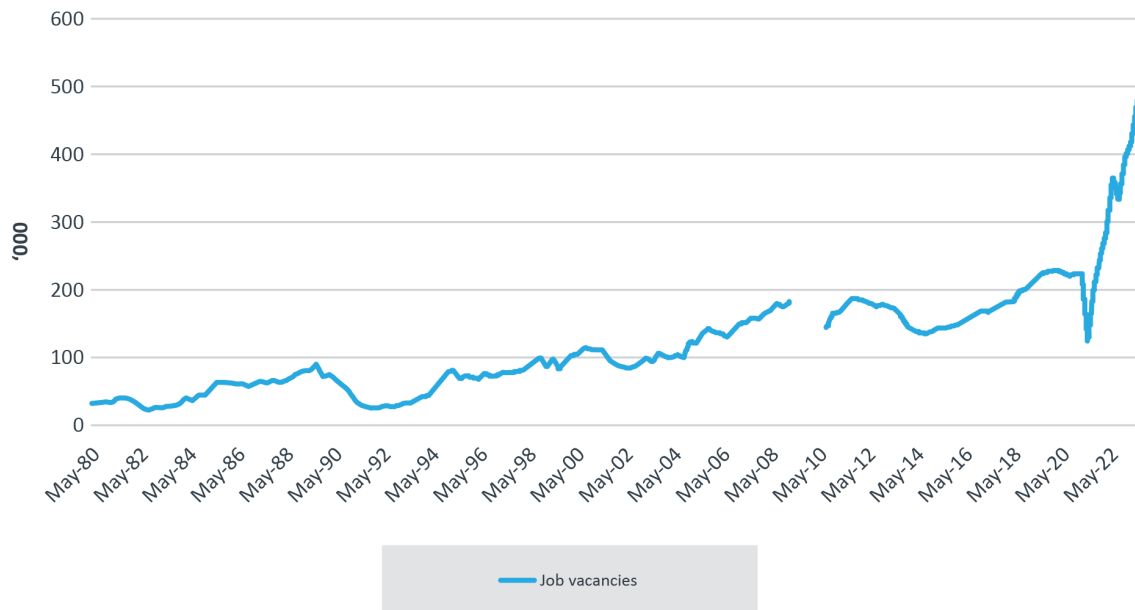
"Small businesses have strived to support their customers throughout COVID and into 2022. The graph indicates the connection of small businesses to each other and their ongoing financial support including reluctance to charge full price or increase prices. Interest rate rises

and other pressures leading to lower discretionary spending are impacting this business resilience indicator.”

Matthew Addison, Institute of Certified Bookkeepers

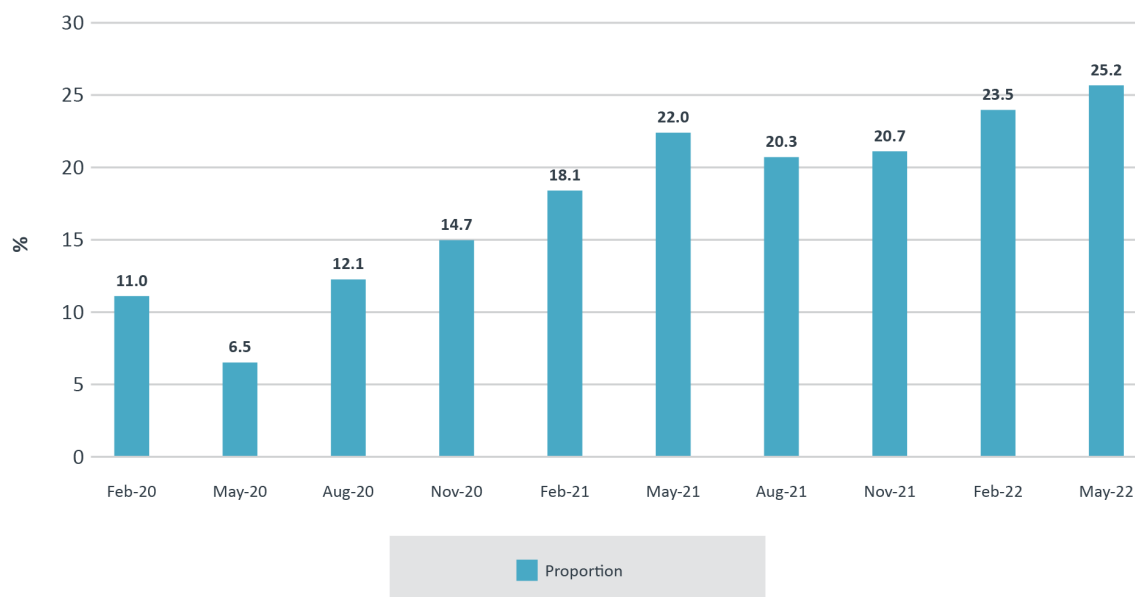
Job vacancies and business reporting vacancies

Job vacancies, seasonally adjusted



The Job Vacancies Survey was suspended between August 2008 to August 2009 (inclusive).

Proportion of businesses reporting vacancies, Australia



SOURCE - AUSTRALIAN BUREAU OF STATISTICS 2022, <https://www.abs.gov.au/statistics/labour/jobs/job-vacancies-australia/latest-release>

The number one issue for small businesses right now is worker shortages. Every one of our COSBOA members from all sectors of the small business economy continue to see this as the biggest impediment to growth or even to functioning at pre-pandemic levels.

According to the Australian Bureau of Statistics, job vacancies in May 2022 were 480,100 - an increase of 13.8% from February 2022 and 111.1% higher than in February 2020 before the start of the pandemic. The proportion of businesses reporting vacancies has more than doubled since February 2020, rising from 11% to 25.2%.

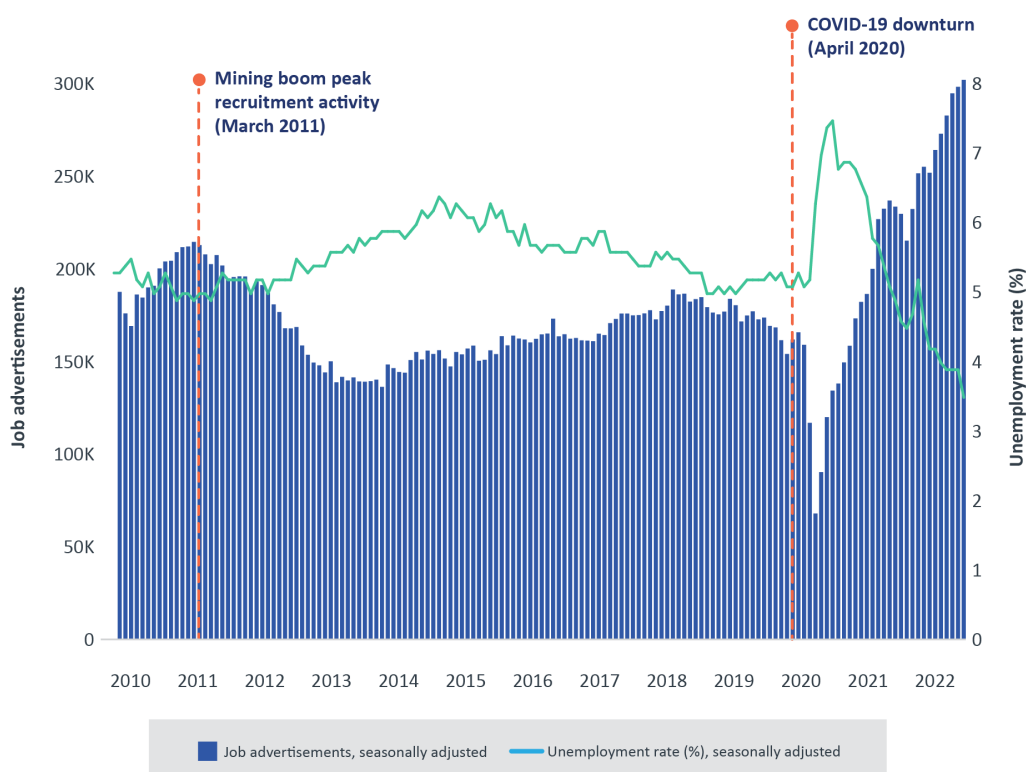
The dramatic change in job vacancies has left many small businesses struggling to operate at their full potential. Many are limiting the hours they are open, reducing services and products, and paying dramatic wage increases not acknowledged in national figures. These employment issues are compounded by higher interest rates, as well as national and international supply chain issues. There is no indication to small business from government or national economic data when these pressures will likely subside, making it difficult to plan and grow. The pressure is only going up with no alleviation in sight to the number one issue facing small businesses.

Independent food and grocery supermarkets, liquor stores, and timber and hardware businesses have never before experienced worker shortages as we have seen in the past 12 months. The situation is diabolical as members struggle with increased wages costs and costs of doing business coupled with insufficient staff to help run their stores. Our industry sector has traditionally relied upon local workers in the first instance and then new migrant workers, temporary visa holders and back packers to work in their stores.

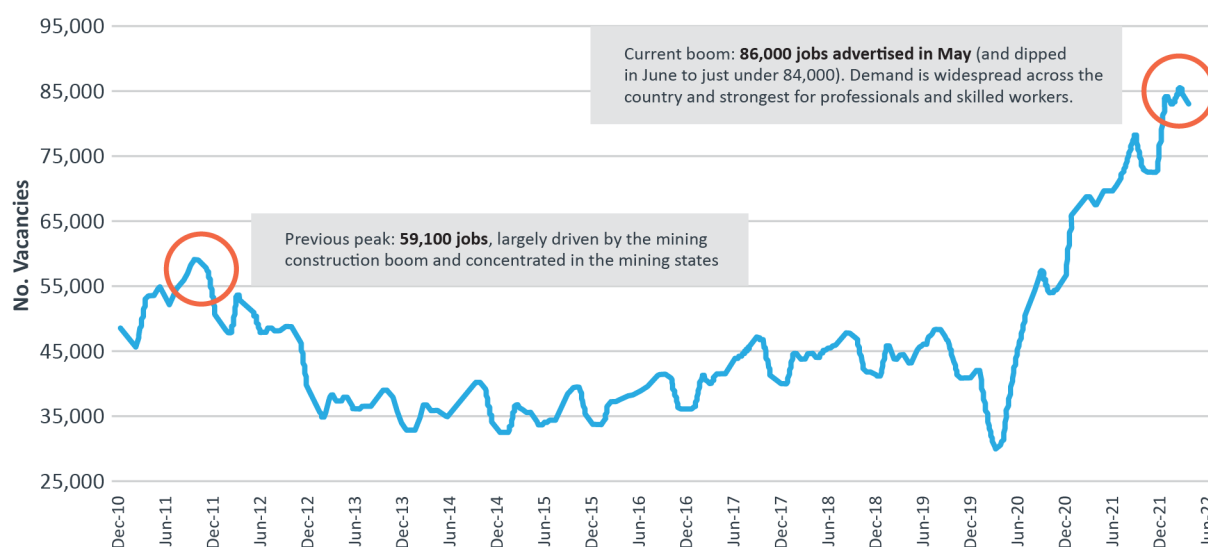
Jos de Bruin, MGA Independent Retailers

Regional Job Vacancies

Internet Vacancy Index



Internet Vacancy Index – Regional Australia only



SOURCE – AUSTRALIAN GOVERNMENT NATIONAL SKILLS COMMISSION 2022 AND REGIONAL AUSTRALIA INSTITUTE 2022, [HTTPS://LABOURMARKETINSIGHTS.GOV.AU/MEDIA/3ETDD23N/VACANCY-REPORT-JUNE-2022.PDF](https://labourmarketinsights.gov.au/media/3ETDD23N/VACANCY-REPORT-JUNE-2022.PDF)

This graph from the Regional Australia Institute uses the National Skills Commission’s Internet Vacancy Index to track regional jobs advertised online since 2010. It shows that 84,000 jobs were advertised in June after a peak of 86,000 in May. In June, regional job ads made up 28% of the national total of 303,400 (graph 3.2). Additionally, the Internet Vacancy Index report states that regional areas have experienced a higher rate of growth in job advertisements from pre-COVID levels than have capital cities (a 95.8% increase compared to 60.6%).¹

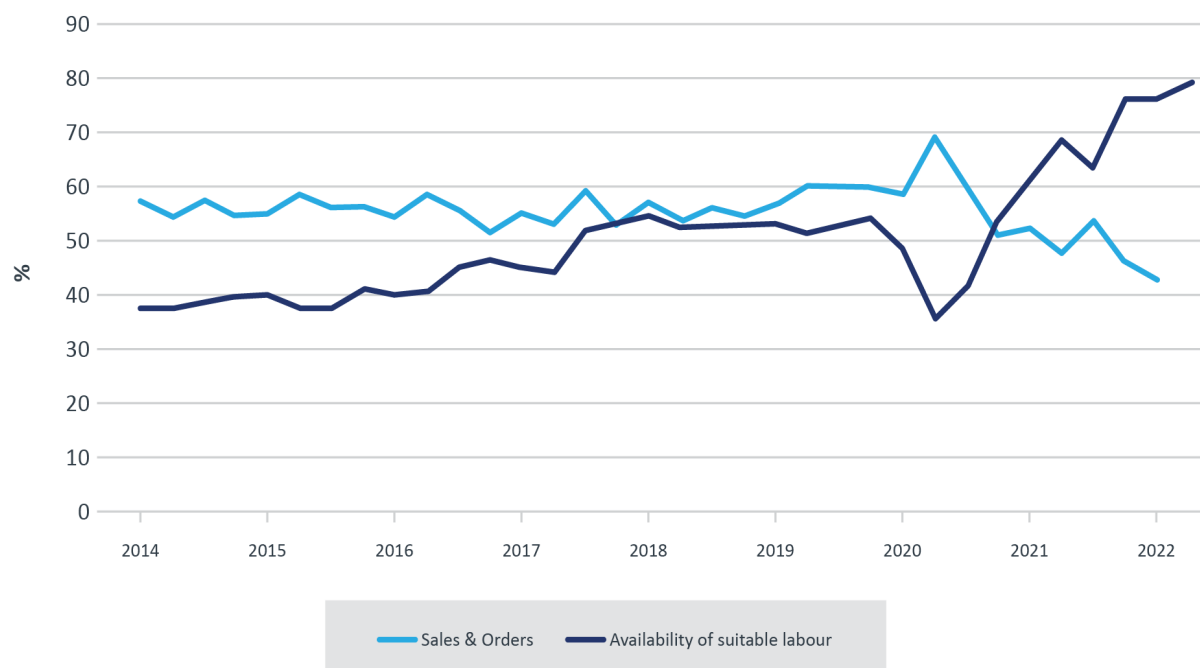
This data highlights the disproportionate effect that workforce shortages is having on regional Australia. Even more so than in capital cities, small businesses are the predominant employers in the regions. They are the thread that binds together the fabric of local communities, and the starting point for many national supply chains. Regional small businesses grow, pack and distribute our food, and manufacture critical parts and products. It is crucial for them to find the workers they need.

“Regional areas are the mainstay of our membership, and our newsagents and lottery retailers are important hubs for services in these communities. The lamentable situation we currently find ourselves in, where skills shortages are disproportionately worse in these areas, is limiting our owners’ capacity to deliver the quality services our regional communities deserve. It is also having an egregious impact on the health and well-being of our small business owners and their families who are doing their best to keep things together. We need timely solutions.”

Ben Kearney, Australian Lottery and Newsagents Association

NAB Quarterly SME Survey

Factors constraining SME output (% of firms)



SOURCE – NAB 2022, <https://business.nab.com.au/wp-content/uploads/2022/07/NAB-Quarterly-SME-Business-Survey-Q2-2022.pdf>

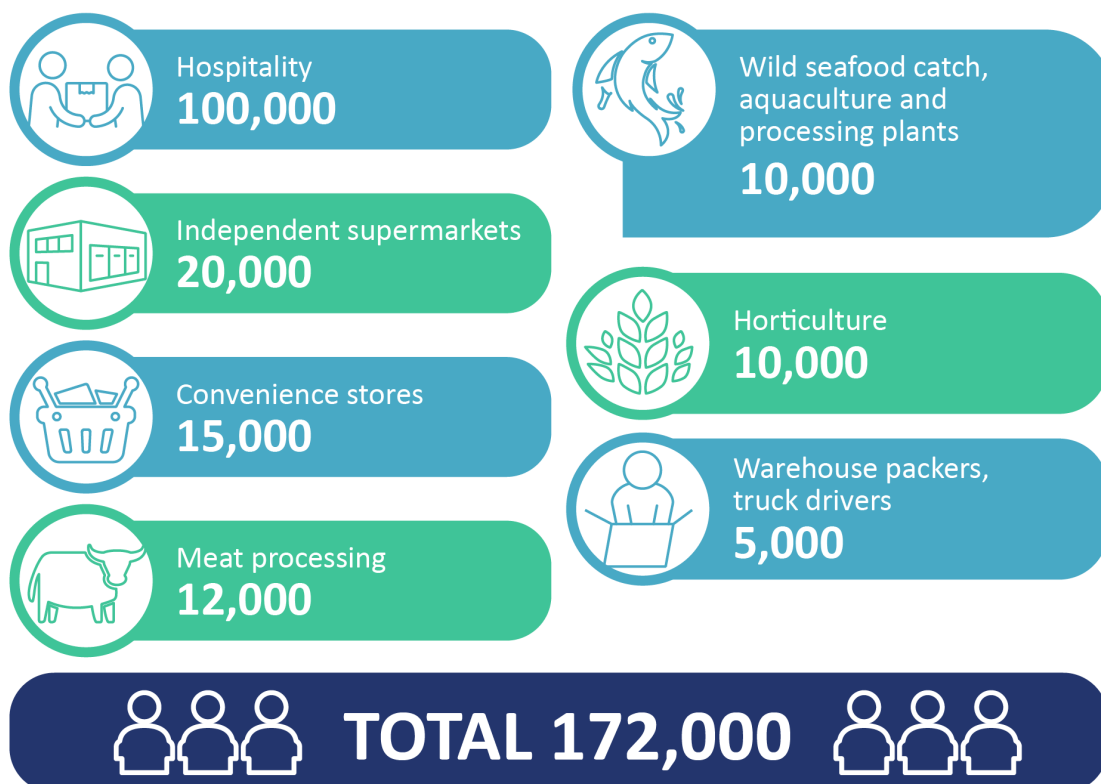
Productivity growth is key to creating sustainable economic growth and increasing living standards for everyone. But workforce shortages are preventing small businesses from participating in productivity growth as well as they could otherwise be doing. Instead of working on their business, small business owners are working in their businesses to fill unmet demands for labour, serving customers or unloading stock instead of strategising for future growth, product development, and seeking business opportunities.

According to research from NAB, around 80% of firms report availability of labour is a constraint and the share citing availability of materials as a constraint rose to more than 60%, a new record level.

“Hairdressing contributes to our economy and plays a part in our community’s mental health, self-esteem, and confidence. Every business is desperate for staff, including apprentices. This means that every business’s productivity is down and costs are higher. With 12,372 salons, each salon needs at least 2 more employees to be sustainable and to grow their business and also the industry. Immigration needs to be a solution for small business to financially cope, grow and sustain.”

Sandy Chong, Australian Hairdressing Council

Worker Shortages



Source: Food Industry Alliance, Restaurant and Catering Industry Association, Master Grocers Australia, Australian Association of Convenience Stores, Australian Meat Industry Council, Seafood Industry Australia, AUSVEG and Independent Food Distributors Australia

SOURCE - IFDA & THE AUSTRALIAN

The newly formed Food Industry Alliance consists of the Restaurant and Catering Industry Association, Master Grocers Association (MGA), Australian Association of Convenience Stores, Australian Meat Industry Council, Seafood Industry Australia, AUSVEG, and Independent Food Distributors Australia. Together they have calculated a shortage of 172,000 workers across the food supply chain from paddock to plate.

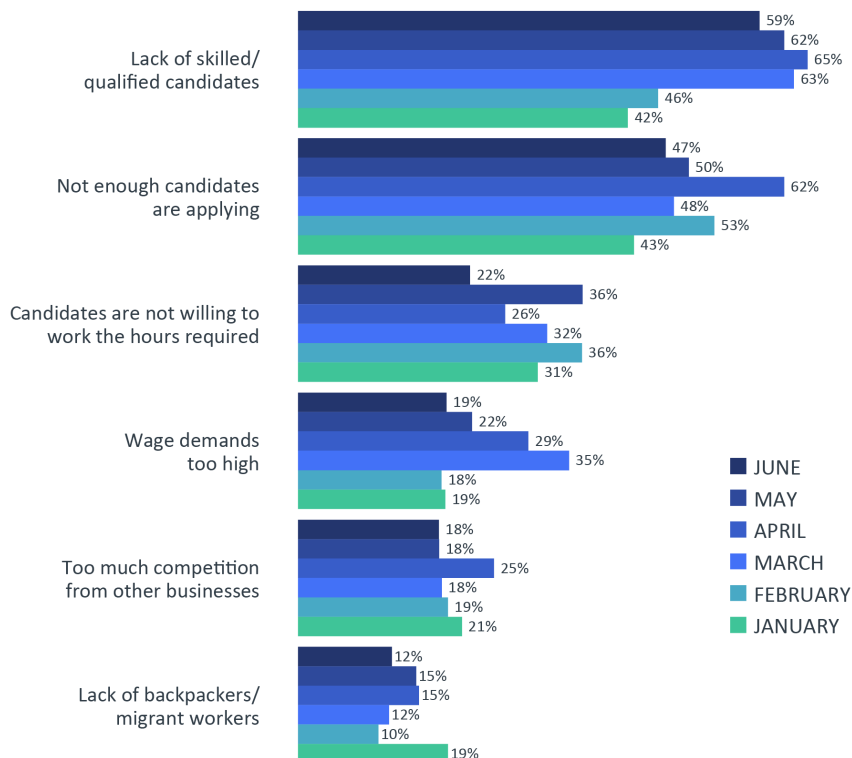
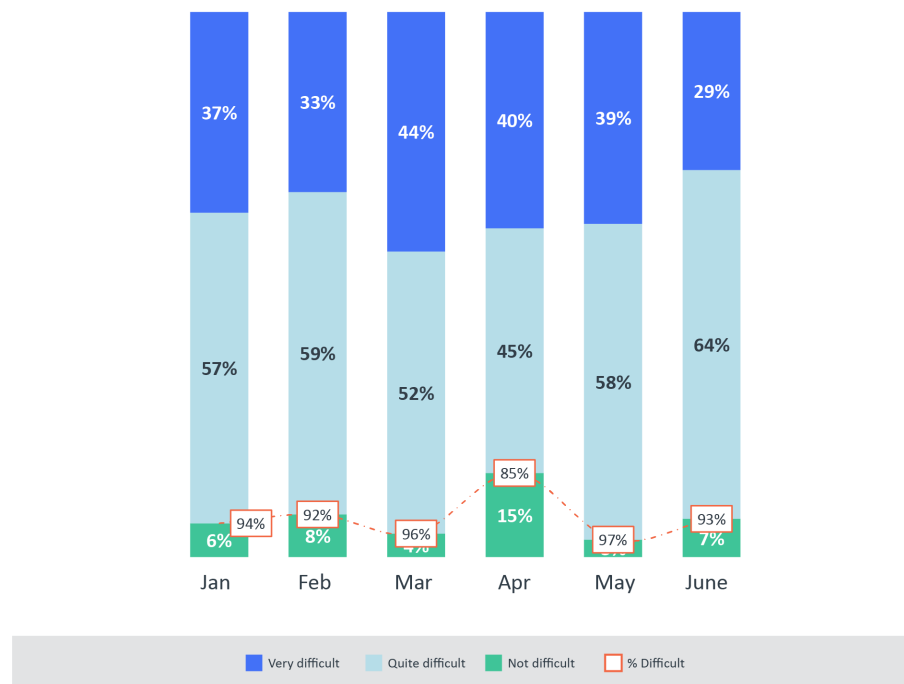
Many of these industry sectors are based in regional Australia, where worker shortages are exacerbated by a housing affordability crisis. Thanks to the prevalence of remote working, office workers are able to relocate to country Australia with their capital city incomes, pricing locals out of the housing market. Potential workers simply can't afford to live in the quaint country towns and seaside villages popular with tourists and city transplants, leaving some small business to go to extreme lengths to provide accommodation. Accompanying the issue of worker shortages in these sectors is the limitations of housing and the increasing cost of living in regional areas, making it difficult to attract talent.

"The ability to transport food is becoming harder by the day due the significant shortages of truck drivers across the country. Coupled with that is an ongoing lack of skilled and unskilled workers in food warehouses to help pack and store food products and drive forklifts to unload trucks from suppliers and load them for food retail outlets. Recruiting and maintaining staff is almost impossible."

Richard Forbes, Independent Food Distributors Australia

Job Vacancies Qualitative Data

ACA Research Business Sentiment Tracker Wave 40 - June 2022



SOURCE – ACA RESEARCH 2022, <https://www.acaresearch.com.au/australian-market-research-blog/weak-sme-sentiment-despite-upbeat-revenue-and-employment-numbers>

While recruitment challenges are still significant, fewer small businesses believe it is very difficult to recruit (29%) compared to 44% reported in March.

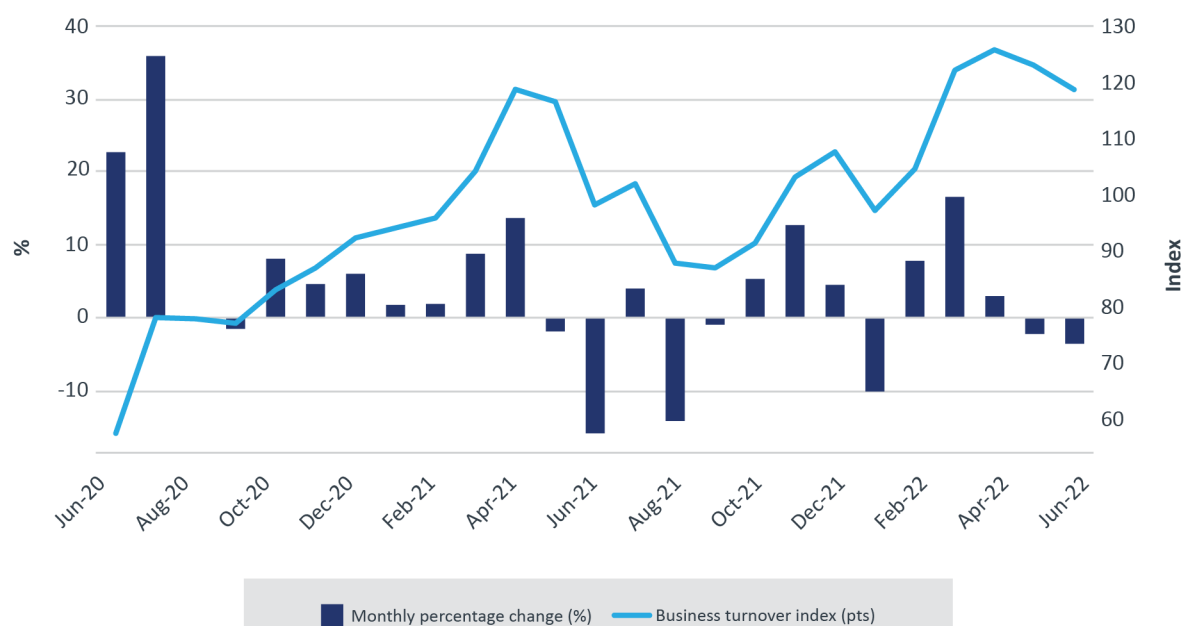
This survey data from ACA also highlights the perceived reasons for which small businesses are having difficulty filling vacant roles, chief of which is a lack of skilled/ qualified candidates. This is the culmination of years of design flaws in the vocational education and training system combined with the recent COVID-19-related drop in skilled migration. In some industries, skill shortages are a chronic problem – for others, it is a more recent phenomenon. While migration shouldn't be the all, end-all solution to creating and maintaining skilled a workforce, it is the fastest way to plug skills shortages in the immediate term. For long term results, consideration must be given to reforming the vocational education and training (VET) system so that courses and qualifications better reflect the skills needed by small business employers. Either way, we have to value the skills involved in a variety of traditionally overlooked industries such as hairdressing, aesthetic beauty, remedial massage, and live music, not taking it for granted that there will be people available and capable of doing the job.

"In all industry sectors, workers, small business, and contractors are dependent on having relevant skills to improve quality of work and productivity. In the past, opportunities have been limiting for the existing workers and small businesses, as they did not have the support from the skills and training system to improve their capability. For example, in the fast-evolving technical area of Digital and ICT, the global products and services change regularly and one's skill must be current to support these changes."

Dominic Schipano, Communications and Information Technology Training Ltd

Business Turnover

ABS Monthly Business Turnover Indicator - Arts and Recreation Services



Index period: July 2019=100.0

SOURCE – AUSTRALIAN BUREAU OF STATISTICS 2022, <https://www.abs.gov.au/statistics/economy/business-indicators/monthly-business-turnover-indicator/latest-release>

If we had to pick one sector that continues to struggle from the effects of the pandemic, it would be the arts sector. The Australian Bureau of Statistics tracks changes in monthly turnover for thirteen industry classifications. The arts and recreation services classification encompasses businesses such as musicians, performers, venues, gyms, and amusement parks. The graph above demonstrates the great fluctuations in turnover as businesses were prevented from operating due to restrictions on gatherings enforced during the multiple waves of COVID-19 infections. This is an industry dependent on the ability to have in-person events – events that require preparation and planning. Increasingly, planning events is seen as financially risky because of all the potential disruptions.

“The live music sector has had an 85%+ drop in turnover over the course of the pandemic. Lumping us in with personal trainers who, as soon as restrictions lift, are out in the park again and able to get on with their job doesn’t allow for an accurate reflection of the live music sector.

Because our industry was so badly affected and so unstable, we’ve lost so many people to other industries who are unlikely to come back. We’re still having ticketing issues – if you think of a 17-year-old at the beginning of the pandemic getting ready to see live shows, they’re now 19 and they’ve had 2 years of that not being part of their world. The idea of going to a live show just isn’t in their narrative anymore.”

Stuart Watters, Australian Live Music Business Council

ABOUT COSBOA

Small Business in Australia are the backbone of the economy. We harness its diversity and provide its people with a voice, distinct from big business.

Established in 1979, The Council of Small Business Organisations of Australia (COSBOA) is a member-based not-for-profit organisation exclusively representing the interests of small businesses.

The capability, representation, and reach of COSBOA are defined by a mix of nearly 50 national and state-based association members. COSBOA's strength is its capacity to harness its members' views and advance consensus across policy areas common to many. Our member organisations work behind the COSBOA secretariat to assist us with policy development and guide our advocacy - not just for small businesses but also for the benefit of the Australians they employ.

In this capacity, COSBOA makes submissions and representations to the government, including its agencies, on issues affecting small businesses and to pursue good policy.

