

1. Opening Statement for Supplementary Estimates 2022-23

Thank you chair, good morning Senators.

It has been pleasing to see so many small and family businesses celebrate the first Christmas and summer trading period without lockdowns or restrictions since 2019.

I continue to be inspired by the enterprising women and men finding new ways of delighting customers and creating valued livelihoods, wealth and opportunity for so many.

But the challenges of adjusting to this 'new normal' economic environment abound as we head into what for many will be another year of uncertainty.

Small businesses, while many remain optimistic and reporting a growth mindset, are:

- struggling to make rosters work and keep doors open owing to labour and skills shortages;
- grappling with supply troubles that mean critical inputs, goods and services are not always available;
- baffled about what to do about steep rises in energy costs
- on edge about cyber security fears;
- and adjusting to inflation which is higher than many running a business have ever experienced
- plus they've been hit with the Reserve Bank increasing interest rates nine times since May and alert to statements about further increases.

This is impacting directly on small business operating costs and on the behaviour of customers.

The 2.5 million small businesses in Australia, provide jobs for over 5 million people – that's 2 out of 5 private sector jobs in this country; producing 33% of Australia's GDP and account for 43% of all apprentices and trainees in training – nearly double the amount supported by a big business.

Our new data portal highlights the latest statistics and key insights about small businesses and family enterprises and their contribution, including regional breakdowns.

A few snapshots: (all below stats are for 2021 unless otherwise stated)

- Nearly half (47%) of small business owners are aged 50 and over. In contrast, only 8% of small business owners were aged under 30.

We need to replenish and nurture the next generation of entrepreneurs, value self-employment and encourage and enable smaller enterprises and the livelihoods they make possible.

- The flexibility of self-employment remains an attractive livelihood option for older Australians - 22% of non-employing owner managers are aged 60 and over, compared to 9% of employees.
- Self employment is also attractive for many women looking to balance work and other responsibilities - 68% of female owner managers of non-employing businesses are working part-time, compared to 47% of female employees in the workforce.
- The number of female small business owners continues to trend upwards, now accounting for 35% of Australian small business owners, up by nearly a quarter since 2006 and compared to a 7% rise for males.

- However, 61% of small business owners had a total personal income of less than \$78,000 in 2021, notably \$16,000 less than full-time adult total earnings across all industries in the same year (\$94,000).
- This earnings figure includes income from all sources - nearly one fifth (16%) of small unincorporated business owners also working in multiple jobs (from the most recent 2018-19 data available).

With modest incomes, tight margins and increasing costs, the value and importance of trusted advice is amplified as small business owners consider the future of their business and how to deal with amid rising financial stress.

Last month's corporate insolvency figures showed a 43% increase in calendar year 2022 to 6446 administrations, returning to near pre-COVID levels, with a 66% increase in the construction industry the main driver (1792 cases).

It's timely there is a parliamentary review of the corporate insolvency system underway, and we have several constructive recommendations.

This advocacy work is a core function of our office.

We act as a voice for small business on policy, program design, regulatory approaches and legislation and last year provided formal responses on 8 Regulation Impact Statements and made 102 formal submissions to various parliamentary, Treasury and other inquiries. We collaborate and work closely with other government agencies such as the ATO, ACCC and Cyber Security Centre, and chair the Federal Regulatory Agency Group.

During the 2022 calendar year, we received 6,001 contacts, predominantly requests for assistance and had 174,816 visits to our website for tips, tools and helpful resources.

Payment disputes represented 40% of requests for assistance. Prior to COVID-19, this proportion was around 25%.

Our analysis of data from the Payment Times Reporting Regulator reveals a bitterly disappointing story. More than half of the nation's big businesses missed their own mediocre deadlines for paying their small business suppliers.

- just 31% of big businesses paid their small business invoices within 30 days,
- and almost one in four big businesses take more than 120 days to pay their small business suppliers.

This is woeful and we have welcomed the review led by former minister Dr Craig Emerson and have been actively contributing.

Senators, the critical issue I've highlighted previously, the hardening of the global insurance market and its impacts on small businesses, continues to be with us. Too many small businesses in many sectors are unable to find affordable insurance as it is either unavailable, or prohibitively expensive.

There's lots more we could talk about, so I welcome your questions.