

PO Box 463
Canberra ACT 2601
Our advocacy team is based in Canberra
Email: info@cosboa.org.au
www.cosboa.org.au

Submission to the Fair Work Commission

Annual Wage Review 2025–26

28 March 2026

email: awr@fwc.gov.au

About COSBOA

COSBOA is Australia's peak body for small business. Established in 1979, COSBOA represents the interests of small businesses through its member organisations, which include national industry associations, state and territory small business bodies, and professional associations.

COSBOA's member organisations collectively represent hundreds of thousands of small businesses across the Australian economy. The voice COSBOA brings to this Review is informed by the lived experience of small business operators — the people who create jobs, serve communities, take on personal financial risk, and drive economic activity across every region of Australia.

COSBOA's Position

1. COSBOA submits that any increase to the national minimum wage and modern award wages which arises from the Annual Wage Review 2026 must be under current inflation, calibrated to reflect the demonstrated capacity of small businesses to absorb additional labour costs without adverse consequences for employment, business viability, and consumer prices.
2. The minimum wages objective prescribed by section 284 of the *Fair Work Act 2009* (Cth) (the **Act**) directs the Fair Work Commission to establish and maintain a safety net of fair minimum wages, considering a range of economic and social considerations including — but not limited to — inflation.
3. The Act requires the Commission to weigh the performance and competitiveness of the national economy, productivity, business competitiveness and viability, employment growth, and the promotion of social inclusion through workforce participation, alongside the relative living standards and needs of the low paid. (*Fair Work Act 2009* (Cth), s 284)
4. COSBOA is concerned that public discourse around the purpose and outcome of the Annual Wage Review frames the purpose of the Review as a simple question of whether wages should "keep pace with inflation." This is not aligned to the minimum wages objective, and is entirely inconsistent with the statutory task.

5. The Fair Work Commission is not a wages indexation body. It is required to exercise a broad evaluative judgment that balances competing considerations, and inflation is only one of those considerations. An outcome that matches or exceeds headline CPI but that undermines employment, accelerates business closures, or entrenches services inflation would not satisfy the minimum wages objective, regardless of how it compares to the CPI.
6. Small businesses are not arguing against fair wages. They are arguing for sustainable wages — wages that allow them to keep their doors open, keep their workers employed, and keep contributing to the communities they serve. COSBOA submits that the Fair Work Commission can deliver a fair outcome for workers while also ensuring that the decision does not push more small businesses toward the price increases, hour reductions, and closures that ultimately harm the very workers the minimum wage system exists to protect.
7. COSBOA urges the Fair Work Commission to give genuine weight to the business competitiveness and viability considerations in section 284(1)(a) of the Act, and to ensure that this year's decision does not further erode the capacity of small businesses to sustain employment in the industries and communities they serve. (*Fair Work Act 2009* (Cth), s 284(1)(a))

Deferred Operative Date: 1 December 2026

8. In addition to urging restraint in the quantum of any increase to below inflation, COSBOA submits that the Commission should **defer the operative date** of the Annual Wage Review 2025–26 determination from 1 July 2026 to 1 December 2026.
9. The Commission has the power under section 286 of the Act to determine the operative date of a national minimum wage order and is not confined to a 1 July commencement. COSBOA submits that the current economic circumstances justify the exercise of that discretion.
10. The case for deferral rests on three grounds.
 - a) **First, the escalation of conflict in the Middle East is creating acute and unpredictable cost pressures across the Australian economy.** Rising oil prices are flowing directly into fuel costs, freight charges, and the price of goods and materials at every stage of the supply chain. For small businesses — which lack the purchasing power, hedging capacity, and contractual leverage of larger firms — these cost increases are being absorbed directly into already-thin operating margins. The trajectory and duration of these pressures remain highly uncertain, and a deferral would provide small businesses with essential breathing room while the situation evolves.
 - b) **Second, 1 July 2026 is already a date of exceptional cost convergence for small businesses.** The payday superannuation reforms commence on 1 July 2026, requiring employers to transition from quarterly to per-pay-cycle superannuation processing, upgrade payroll systems, and manage the cash flow impact of more frequent payments. Layering a wage increase on top of this transition — at a time when small businesses are

also navigating the cumulative effects of 38 major amendments to the Fair Work Act since 2022, rising interest rates, and elevated input costs — risks overwhelming the absorptive capacity of the very businesses that employ the workers the minimum wage system is designed to protect.

- c) **Third, small businesses need time to plan.** The current environment — characterised by overlapping global, regulatory, and cost uncertainties — makes forward planning exceptionally difficult. A deferral to 1 December 2026 would give small businesses five additional months to assess their cost position, adjust rosters and pricing, and plan for the implementation of the increase in an orderly manner. For the smallest businesses — those without dedicated HR, payroll, or finance staff — this lead time is not a luxury but a practical necessity.
11. COSBOA notes that a deferral does not reduce the quantum of any increase the Commission determines is appropriate. Workers would receive the full benefit of the Commission's decision, with a modest delay in its commencement that reflects the extraordinary convergence of cost pressures facing small businesses in mid-2026. The Commission has exercised its discretion over operative dates in prior Reviews, and COSBOA submits that the current circumstances warrant a similar exercise of that discretion.

The Inefficiency of Wage Increases as Cost-of-Living Relief

12. COSBOA acknowledges the genuine cost-of-living pressures faced by low-paid workers; however, the Commission's own modelling demonstrates that minimum wage increases are a blunt and often inefficient instrument for addressing financial stress. For a single adult on the National Minimum Wage (NMW), only 66.5 per cent of a gross wage increase is retained after tax and transfer effects. For a single-earner couple with the non-earning partner receiving JobSeeker Payment, the retention rate falls to just 6.5 per cent. (FWC Statistical Report 2026, Table 8.5) A significant share of each dollar increase is absorbed by the tax-transfer system rather than reaching the households the increase is intended to benefit.
13. Government policy settings — including tax reform, transfer payments, and targeted cost-of-living relief — are more effective and less distortionary mechanisms for addressing household financial stress than above-inflation minimum wage increases imposed on small businesses.
14. The appropriate policy response to cost-of-living pressures is not to embed above-inflation wage increases into the award system in a way that feeds back into the very prices that are causing the pressure. The Fair Work Commission should be alert to the circularity of this dynamic, particularly in the labour-intensive services sectors that dominate both award reliance and non-discretionary household expenditure.

The Limited Options for Small Business

15. When faced with labour cost increases that they are unable to absorb, small businesses have three responses available to them. They can raise prices, reduce staff or hours, and/or exit the market. COSBOA's engagement with its member organisations confirms that many small businesses are compelled to adopt at least one of these responses.
16. Price increases pass the cost of the Commission's decision directly to consumers, including to the low-paid workers the decision is intended to benefit.
17. The Australian Restaurant & Cafe Association (ARCA) submission to this Review presents compelling evidence of this: menu price inflation in the restaurant sector closely mirrored the 3.5 per cent award increase applied in FY2025–26, indicating a near one-to-one pass-through of wage costs to consumer prices. (ARCA submission, p. 3)
18. Reductions in hours reduce the take-home pay of workers who may receive a higher hourly rate but work fewer hours. Business closures eliminate jobs entirely.
19. None of these outcomes are aligned with the minimum wage objectives; nor do they advance the objects of the Act. Again, regard should be had by the Fair Work Commission to the overall economic impact, including and especially for small businesses, of minimum wage decisions that are not properly informed and/or poorly calibrated.

Economic Context

Inflation

20. While headline CPI inflation stood at 3.8 per cent in the twelve months to January 2026, this figure is significantly distorted by temporary factors. The cessation of Commonwealth Energy Bill Relief Fund rebates and state government electricity rebates caused electricity costs to rise 32.2 per cent over that period; excluding rebate effects, electricity prices rose by a more moderate 4.5 per cent. (ABS, CPI, January 2026)
21. Trimmed mean inflation — the RBA's preferred measure of underlying inflation — was 3.4 per cent over the same period. (ABS, CPI, January 2026; FWC Statistical Report 2026, Table 4.1)
22. COSBOA submits that the Commission should anchor its deliberations to underlying inflation rather than the temporarily inflated headline figure. Matching wage increases to headline CPI would embed cost pressures into the economy that persist well after the temporary factors have washed through.

Growth, Productivity and the Labour Market

23. The Australian economy grew by 2.6 per cent in the year to December 2025, but GDP per capita grew by just 0.9 per cent, indicating that population growth rather than genuine productivity improvement is driving headline output. (FWC Statistical Report 2026, Overview table) Real unit labour costs fell marginally by 0.1 per cent over the year, signalling some correction but not a durable shift toward productivity-led wage growth. (FWC Statistical Report 2026, Overview table) The current incomplete productivity cycle from 2021–22 shows average annual multifactor productivity growth of negative 0.4 per cent. (FWC Statistical Report 2026, Chart 2.2)

24. The labour market remains relatively tight, with unemployment at 4.1 per cent and the participation rate at 66.7 per cent. However, youth unemployment for 15–19 year olds stood at 13.5 per cent, and the accommodation and food services industry — the largest entry point into the labour market for young Australians — had the highest industry unemployment rate at 5.0 per cent and the highest underemployment ratio at 17.6 per cent. (FWC Statistical Report 2026, Charts 6.12, 6.13 and 6.16) Job vacancies declined by 5.2 per cent in the year to November 2025. (FWC Statistical Report 2026, Chart 6.19)
25. Above-inflation wage increases risk discouraging hiring, particularly for young and entry-level workers in the industries where award reliance is highest.

Wages Growth

26. The Wage Price Index grew by 3.4 per cent in the year to December 2025. Average Weekly Ordinary Time Earnings grew by 3.8 per cent in the year to November 2025. Average compensation per employee grew by 4.9 per cent — already exceeding headline CPI inflation. (FWC Statistical Report 2026, Table 5.1)
27. The cumulative effect of the Fair Work Commission's decisions over recent years — including increases of 5.2 per cent (2022–23), 8.6 per cent (2023–24), and 3.75 per cent (2024–25) — has already delivered a substantial real wage recovery. (FWC Statistical Report 2026, Table 5.1; FWC Annual Wage Review decisions 2022–23, 2023–24 and 2024–25)
28. The Fair Work Commission should now consolidate those gains, rather than contribute to a growth trajectory that is unsustainable for small business and is otherwise an improper realisation of the minimum wage objectives.

The Cumulative Regulatory and Cost Burden

29. Since 2022, the Act has been significantly amended on 38 occasions; among these, the Closing Loopholes amendments have resulted in significant and material changes to the regulation of employment in Australia.
30. The COSBOA Small Business PEAK Survey Report 2025 shows that only 23 per cent of small businesses are aware of the changes introduced by the Closing Loopholes legislation and similarly low or moderate levels of awareness for other changes. (COSBOA PEAK Survey Report 2025)
31. Each wage increase compounds this burden — small businesses must recalculate overtime rates, penalty rates, allowances, and superannuation contributions, meaning the true cost of any nominal increase invariably exceeds the headline percentage. The Fair Work Commission's decision in respect of minimum wages is not an isolated event — rather, it results in the compounding of every other cost pressure and regulatory obligation that small businesses are managing because of the Federal Government's comprehensive industrial relations reform agenda.

Award Reliance and the Small Business Impact

32. The May 2025 Employee Earnings and Hours survey shows that 22.7 per cent of all employees are award-reliant, but this average obscures the dramatically uneven distribution across the economy. Award reliance in accommodation and food services stands at 60.0 per cent, in administrative and support services at 45.9 per cent, in arts and recreation services at 40.0 per cent, in health care and social assistance at 32.1 per cent, and in retail trade at 32.0 per cent. (ABS, EEH, May 2025; FWC Statistical Report 2026, Table 7.1)
33. The Fair Work Commission's own BLADE research note confirms that the mean award share across all employers is 28.3 per cent, rising to 40.1 per cent for employers with 20–49 employees. (Tomlinson & Lipp 2026, Chart 1) Among employers with over 50 per cent of their workforce paid by awards, 77.2 per cent are small businesses with fewer than 20 employees and 22.6 per cent are in accommodation and food services. (Tomlinson & Lipp 2026, Table 6) Businesses with higher award shares tend to be younger — the businesses most affected by the Commission's decisions are also the most vulnerable to cost shocks. (Tomlinson & Lipp 2026, Chart 5)
34. The Annual Wage Review is not merely a national economic policy lever. It is, in practical terms, a decision that falls most heavily on small businesses in a handful of labour-intensive industries where margins are thin, productivity growth is constrained, and the capacity to absorb above-inflation wage increases is limited. The Fair Work Commission's decision is, for these businesses, one of the most consequential cost determinations they will face in any given year.

Global Uncertainty

35. The IMF projects Australian GDP growth of 2.1 per cent in 2026 and 2.2 per cent in 2027, (FWC Statistical Report 2026, Table 14.2; IMF, World Economic Outlook Update, January 2026) projections made before the full impact of current global disruptions were factored in. Rising geopolitical tensions, trade uncertainty, and the potential for supply-side inflation shocks argue for caution.
36. The Fair Work Commission should err on the side of an outcome that preserves employment and business viability in the event that global conditions deteriorate further.

Conclusion

37. COSBOA urges the Commission to determine an Annual Wage Review outcome that is appropriately aligned with the minimum wage objectives and with the Act's objects.
38. The evidence points clearly to an environment in which restraint is warranted: subdued productivity growth, decade-high insolvencies, award-reliant industries operating on low margins, and an RBA signalling that inflation remains too high and monetary policy must remain restrictive.

39. In the event the Commission determines that an increase is appropriate, COSBOA submits that a deferred operative date of 1 December 2026 is justified by the extraordinary convergence of cost pressures — including the commencement of payday superannuation, rising fuel and supply chain costs driven by Middle East instability, elevated interest rates, and the cumulative regulatory burden — that small businesses will face from 1 July 2026. A deferral would not reduce the benefit to workers but would provide small businesses with the time they need to plan for and absorb additional costs in an orderly manner.
40. The Fair Work Commission can deliver a fair outcome for award-reliant employees and for business. The Fair Work Commission should ensure that its decision does not push more small businesses toward the price increases, hour reductions, and closures that ultimately harm the very workers the minimum wage system exists to protect.

Yours sincerely,

Skye Cappuccio

Chief Executive Officer

Council of Small Business Organisations Australia (COSBOA)

References

- ABS, Australian National Accounts: National Income, Expenditure and Product, December 2025.
- ABS, Average Weekly Earnings, Australia, November 2025.
- ABS, Business Indicators, Australia, December 2025.
- ABS, Consumer Price Index, Australia, January 2026.
- ABS, Counts of Australian Businesses, Including Entries and Exits, July 2021 to June 2025.
- ABS, Employee Earnings and Hours, Australia, May 2025.
- ABS, Labour Force, Australia, January 2026.
- ABS, Monthly household spending indicator, January 2026.
- ABS, Wage Price Index, Australia, December 2025.
- Australian Financial Security Authority, New personal insolvencies increase in the December quarter 2025, March 2026.
- Australian Government, Mid-Year Economic and Fiscal Outlook, 2025–26, December 2025.
- Australian Restaurant & Cafe Association, Submission to the Minimum Wage Review Committee, Annual Wage Review 2025–26, 27 March 2026.
- COSBOA, Small Business PEAK Survey Report 2025.
- Department of Employment and Workplace Relations, Trends in Federal Enterprise Bargaining, September quarter 2025.
- Fair Work Commission, Statistical report — Annual Wage Review 2026 (version 1), 6 March 2026.
- Household, Income and Labour Dynamics in Australia Survey, Wave 24.
- IMF, World Economic Outlook Update, January 2026.
- Reserve Bank of Australia, Statement on Monetary Policy, February 2026.
- Tomlinson J & Lipp J (2026), *Award use at the employer level: Overview using the Business Longitudinal Administrative Dataset Environment (BLADE)*, Fair Work Commission Research Note, February.