

**19 February 2026**

Committee Secretariat  
House Standing Committee on Employment, Workplace Relations, Skills and Training  
Parliament House  
Canberra ACT 2600

Dear Committee Members,

**Submission from the Victorian Regional Chamber Alliance (VRCA)**

On behalf of the Victorian Regional Chamber Alliance (VRCA), I welcome the opportunity to provide a submission to the inquiry into the operation and adequacy of the National Employment Standards (NES).

VRCA represents regional chambers of commerce across Victoria and advocates for the interests of small and medium-sized enterprises operating in regional and rural communities. Our members are diverse in size and sector, but share common challenges: thin margins, limited workforce availability, and constrained capacity to absorb additional regulatory and employment costs.

As of 30 June 2023, 148,019 small businesses were operating in regional Victoria. Regional areas, including those supported by VRCA, account for roughly one-fifth of Victoria's small business population (source : [Australian Bureau of Statistics](#))

Regional businesses operate in fundamentally different conditions to those in metropolitan areas. They typically face:

- narrower profit margins and lower revenue bases,
- higher operating costs and greater exposure to economic volatility,
- persistent skills shortages and limited labour pools,
- reduced capacity to absorb regulatory and cost increases.

In many regional communities, small businesses are the primary employers. Their viability is therefore directly linked to local employment outcomes and broader community wellbeing. Policy settings that materially increase employment costs without corresponding productivity gains risk undermining the sustainability of these businesses.

This submission addresses the inquiry's focus on the adequacy, relevance and coherence of existing NES entitlements, and the extent to which the NES remains fit for purpose in a changing economic and labour market environment.

### **1. The Importance of the NES as a Balanced Safety Net**

VRCA recognises the vital role of the NES in providing a fair and consistent safety net for employees. The NES underpins minimum employment conditions and contributes to social and economic stability across Australia.

However, we want to highlight concerns against changes that significantly increase or broaden the application of minimum entitlements without a comprehensive assessment of the economic impact on regional businesses. The NES operates within a broader workplace relations framework that must balance employee protections with business viability, productivity and employment growth.

### **2. Impact of Proposed Increases to NES Entitlements on Regional Businesses**

VRCA is particularly concerned about proposals to expand NES entitlements, such as increasing annual leave from four to five weeks. While well-intentioned, such changes would impose substantial and ongoing cost pressures on regional employers.

Regional businesses typically operate with:

- lower revenue bases and narrower profit margins than metropolitan counterparts,
- higher exposure to economic volatility,
- limited capacity to pass on increased costs to customers,
- challenges in recruiting and retaining skilled staff.

An increase in statutory leave entitlements would:

- raise direct wage costs and on-costs,
- increase the need for replacement labour or overtime,
- exacerbate workforce shortages in regional areas,
- disproportionately affect small and medium-sized businesses, particularly those with limited staffing flexibility.

In addition to direct cost pressures, increasing annual leave to five weeks runs counter to current national policy settings aimed at improving productivity and addressing workforce shortages.

Governments at both state and federal levels are actively investing in increased university enrolments and apprenticeship incentives to grow workforce supply in areas of critical need. Against this backdrop, reducing available working time across the economy risks compounding existing labour constraints.

In many small and regional businesses, extended leave periods cannot be readily backfilled due to already tight labour markets. The practical effect is therefore not simply an additional entitlement cost, but a reduction in productive capacity. For example, if employees work 47 weeks rather than 48 weeks per year, the cumulative impact across a workforce is material. At scale, this represents a meaningful loss of productive output that may slow activity across key sectors, including construction, housing development and essential local services.

These impacts would be felt across the broader small business sector and are likely to be particularly acute in regional labour markets where replacement staff are significantly harder to source.

### **3. Regional Equity and Unintended Consequences**

The inquiry rightly considers whether the NES is fit for purpose in the context of a changing nature of work and diverse worker experiences. VRCA submits that any significant expansion of minimum entitlements will have material cost and workforce impacts across the broader small and medium business sector. However, these impacts will be amplified in regional and rural economies where labour markets are thinner, operating margins are narrower, and the capacity to absorb additional costs is more constrained.

Policy changes designed primarily with metropolitan labour market conditions in mind may therefore have unintended and inequitable consequences. A uniform increase in entitlements risks widening the economic gap between metropolitan and regional communities by placing proportionally greater pressure on regional employers.

VRCA also acknowledges that the inquiry is considering proposals to broaden the application of existing NES entitlements, including expanding eligibility for personal and carer's leave to reflect contemporary family structures and life circumstances. In principle, VRCA supports fair and inclusive workplace protections that recognise the diverse realities of Australian families and workers. However, we submit that any broadening of entitlements needs to be carefully assessed through the lens of small and regional businesses, where workforce capacity, operational flexibility and financial resilience

are often limited. Even incremental expansions of eligibility can generate cumulative cost and staffing pressures that are difficult for regional employers to absorb. Without appropriate safeguards, such reforms risk placing disproportionate burdens on small businesses and undermining their capacity to sustain employment in regional communities.

**4. Need for Evidence-Based and Graduated Reform**

VRCA supports a measured, evidence-based approach to any reform of the NES. In particular, we would like to urge that the Committee:

1. Undertake rigorous modelling of the economic impact of proposed NES changes on regional businesses and employment.
2. Consider phased or differentiated approaches that recognise the unique circumstances of regional economies.
3. Engage directly with regional business communities in assessing the practical implications of proposed reforms.
4. Prioritise policies that strengthen productivity and workforce participation without jeopardising business viability.

**5. Conclusion**

VRCA strongly supports fair and reasonable minimum employment standards. However, significant increases in NES entitlements risk placing unsustainable pressure on regional businesses, with adverse consequences for employment, economic resilience and community wellbeing.

We urge the Committee to ensure that any changes to the NES maintain a careful balance between employee protections and the capacity of regional businesses to remain viable, employing people in our regional communities and competitive.



Jodie Gillett  
Chair, Victorian Regional Chamber Alliance & CEO, Commerce Ballarat

