



Red Tape Strangling Small Business

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Australian small businesses are being strangled by red tape according to a new report, *The decline of small business: How red tape is undermining opportunity, prosperity, and community*, released today by the free market think tank the Institute of Public Affairs.

The report finds that the number of Australians employed by small businesses decreased by 330,000 (-7 per cent) between 2007 and 2016.

The author of the report, Research Fellow Matthew Lesh, said, “The decline of small business is a warning sign about the future of Australia’s prosperity. Newer, smaller businesses are essential for competition which leads to innovation and downward pressure on prices.”

“Small businesses are also the lifeblood of local communities, strengthen communal bonds, and provide opportunity for social mobility.

The decline of small business has coincided with an increase of red tape. Between 2007 and 2016 the Commonwealth passed 61,615 pages of legislation, an average of 6,162 pages per year. This figure captures all legislative activity, including the creation of new law, and the amendment and



repeal of existing law.

“It is no coincidence that red tape has grown at the same time that small business has declined. Red tape makes life tough for newer and smaller businesses.

“Red tape is a barrier to business to creation. The thousands of pages of health and safety, environmental, and industry specific red tape often make it too hard and too expensive to start a business.

“Red tape is also disadvantageous for smaller businesses. Larger businesses can spread the costs of regulation over more units of output. Small businesses don’t have compliance teams to deal with the mountains of regulation coming out of Canberra and state capitals,” said Mr Lesh.

The Institute of Public Affairs recommends cutting red tape to reinvigorate entrepreneurship and small businesses in Australia.

[Download the report.](#)

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