

5 November 2017

IPA REPORT: REIGNITING AUSTRALIA'S ENTREPRENEURIAL FLAME: FINDING THE MISSING 275,000 BUSINESSES

Australian entrepreneurship is in a state of stagnation, largely due to red tape, which is threatening our prosperity, according to a new Institute of Public Affairs report *Reigniting Australia's entrepreneurial flame: Finding the missing 275,000 businesses* authored by IPA research fellow Matthew Lesh.

The report finds business entry and exit rates remain below 2003-04 levels, across all states and territories and business sizes, and despite Australia's working age population growing by over one-fifth. IPA research has found that there would be 275,000 more businesses today if Australia's business growth had kept pace with pre-GFC levels.

"Australia's entrepreneurial spirit is being held back by strangling red tape, which is costing our economy \$176 billion a year in lost economic output," says IPA research fellow, Matthew Lesh.

"Entrepreneurial new businesses are essential to inject energy and innovative ideas by disrupting stagnate processes and increasing productivity, incomes, and employment. The 16.1% fall in the business entry rate since 2003 shows that this dynamism is increasingly lacking in the Australian economy."

"Australia is performing woefully on global standards, we are ranked 32 out of 32 in the OECD for entrepreneurial growth."

"Australia's innovation agenda has fallen flat, venture capital investment, as a proportion of the economy, was 57 per cent lower in 2015 compared to 2007. Australia attracts 27 times less start-up venture capital than Israel, 12 times less than the United States, and seven times less than Canada."

"Australia is falling behind similar economies and our neighbours when it comes to entrepreneurship. Our economy is transforming from the envy of the world to a laughing stock and policy makers are ignoring the warning signs." The report finds Australia has higher barriers than similar liberal market economies, including New Zealand, Canada, and the United Kingdom, and regional competitors, such as Singapore and Hong Kong.

"If we are to truly be an agile and innovative nation, Australia needs to remove the substantial barriers to entrepreneurship, including tackling debilitating red tape, reforming a backwards industrial relations system built for the early 20th century, and reducing taxes," said Mr Lesh.

For media and comment: Evan Mulholland, Media and Communications Manager, on 0405 140 780, or at emulholland@ipa.org.au