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Institute of Public Affairs | Australia's leading free market think tank

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DECLINE IN ENTREPRENEURS A SERIOUS CONCERN

High taxes and low business entry rates are a threat to Australia's long term economic growth, according to new research released today by free market think tank the Institute of Public Affairs.

IPA analysis of Australian Bureau of Statistics data reveals that Australia's business entry rate, the number of new firms as a percentage of total firms, is at its second lowest level since 2003.

"In 2003-04, the number of Australian business entries was 325,935, representing a business entry rate of 17.4%. However, over the last decade this number has fallen to 284,153, or 13.7%," says Brett Hogan, Director of Energy and Innovation Policy at the IPA.

"This is despite the fact that Australian GDP per capita more than doubled from US\$23,445 to US\$61,887 between 2003 and 2014, and population increased from 19.8 million to 23.4 million."

"Falling business entry rates has occurred in every state and territory and across all firm sizes, with Tasmania, Queensland and South Australia experiencing the most substantial drop over the surveyed period."

"New firms entering a market to compete with incumbents are crucial to increasing productivity, employment and innovation. This long term decline, despite increased national wealth and population, is deeply concerning," says Mr Hogan.

Since 2010, Australia has also slipped in the Fraser Institute's Economic Freedom Index from 5th to 12th and the World Economic Forum's Global Competitiveness Index from 15th to 21st.

"The Australian government must pursue policies that encourage people to take a risk, start a new business and employ people. Canberra should reduce the taxation burden, free up the industrial relations system and reduce red tape," says Mr Hogan.

"IPA research has found that Australia's tax-to-GDP ratio is above the OECD average and income tax is now a much larger expense in the family budget than food, clothing or utilities," says Mr Hogan.

The IPA's factsheet, *Where have all the entrepreneurs gone?* is available [here](#).

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