

# IPA MEDIA RELEASE

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## NEW STUDY: SA HAS BIG FALL IN ENTREPRENEURS

In a threat to the state's long term economic growth, fewer South Australians are becoming entrepreneurs, according to new research released today by free market think tank the Institute of Public Affairs.

New IPA analysis of Australian Bureau of Statistics data reveals that South Australia's business start-up rate – the number of new firms as a percentage of total firms operating – has been in steady decline over the decade prior to June 2013. And it has been declining at a higher rate than nearly every other state. The paper, *Where have all the entrepreneurs gone?*, was reported in the *Australian Financial Review* this morning.

"In 2003-04, South Australia's business start-up rate of 15.2 per cent, the lowest in the nation, indicated a stagnant economy lacking dynamism. But in an even more worrying development, by 2012-13 the entry rate had fallen to 9.3 per cent, an overall drop of 38.82 per cent" says Dom Talimanidis, the author of the report, and the Ian Mence Fellow for Entrepreneurship at the IPA.

The new IPA research shows that the fall in business start-up rates has occurred in all major sectors of the economy and across all firm sizes. It also shows that every state and territory has seen a drop.

"While the fall in the business start-up rate has occurred in all Australian states and territories, South Australia has declined at the second highest rate in the country, behind only Tasmania," says Mr Talimanidis.

"The process of new firms entering the market and competing with incumbent operators is crucial to long term productivity increases. As such this precipitous fall is deeply concerning."

"It is also central to job creation and social mobility, a point that was recently raised by the Chair of the U.S Federal Reserve Board of Governors, Janet Yellen, commenting on a similar trend in the United States," says Mr Talimanidis.

Low rates of business entry in South Australia correspond with low levels of economic freedom. A report released by the Institute of Public Affairs earlier this year found that South Australia had one of the worst rankings of all Australian states on a range of indicators of economic freedom, including government expenditure, taxation and debt, government dependency, and the regulatory environment.

"The state government must pursue urgent action to address this crisis and create an environment more conducive to business success. Such measures should include changes to the payroll tax threshold and significant reductions in regulation and compliance measures," says Mr Talimanidis.

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

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