



HUSTLING, NOT HIRING: WHY FEWER AUSTRALIANS ARE STARTING A BUSINESS

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Hustling, not hiring: Why fewer Australians are starting a business explores the latest trends in business formation in Australia. It identifies measures to improve the operating environment for emerging businesses and calls for a refresh of supporting programs and policies in four key areas: regulation, finance, skills & culture and competition.

Building a strong, dynamic pipeline of new businesses that can invest and grow is critical to maintaining a vibrant, resilient and diversified economy. Ensuring Australia's businesses are amongst the most competitive and dynamic in the world, and that all Australians have the opportunity to live a productive, connected and meaningful life are key goals of CEDA's Progress 2050 vision for a better, more prosperous future for the next generation of Australians.

CEDA's objective in publishing this report is to encourage constructive debate and discussion on matters of national economic importance. Persons who rely upon the material published do so at their own risk.

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HUSTLING, NOT HIRING: WHY FEWER AUSTRALIANS ARE STARTING BUSINESSES

Second jobs and some business pathways have grown in popularity

6.5% of the workforce held more than one job in 2025

178,500 people engaged in platform work in 2024-25

27% of adults earned money through a side hustle in 2025

But these pathways rarely become growing businesses with employees

Historically, Australia has had a relatively high rate of new and young **employing** businesses, compared to similar countries.

New employing businesses:

- Create a vibrant economy
- Are often risk takers & innovators
- Offer new jobs and new types of jobs

13% of adults aspire to business ownership

8% of adults involved with side hustles they hope to grow

Desire and intention don't appear to be barriers

New employing businesses have decreased in all states over the two decades to 2024-25

VIC	NSW	QLD	SA	WA
13.3% to 9.9%	14.7% to 11.2%	16.4% to 11.3%	12.1% to 9.2%	13.7% to 11.1%

Business entry rate over past two decades to 2024-25

New businesses without employees **increased to 19.8%**



New businesses with employees **decreased to 10.7%**



To encourage business entries we need to:

Reduce the administrative burden of running and growing a business

Expand access to finance and risk protection for new businesses

Strengthen entrepreneurial capability and management skills

Address structural barriers to entry and competition

THE ROAD TO STARTING A BUSINESS WITH EMPLOYEES

Barriers and detours on the journey to starting a business



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EXECUTIVE SUMMARY

Business formation and entrepreneurialism are key measures of business dynamism and ultimately, of economic growth, productivity and prosperity. While not all founders expect their business to grow, compete and innovate, those that do play an important role in building a resilient and vibrant economy. For many people, business formation also provides a unique pathway to fulfilling and meaningful work.

This report examines the latest trends in business creation in Australia across all business types, from solo owner-operators to those with aspirations to be the next tech unicorn, and identifies measures to improve the operating environment for emerging businesses.

Our analysis confirms that many Australians still want to start their own business. If anything, this interest has grown over time. We find up to 13 per cent of adults aspire to business ownership as part of their career journey and around eight per cent are already involved in 'side hustles' that they hope to grow into viable self-employment or their own business. Desire and intention don't appear to have become a barrier to business formation.

Despite this, we find the proportion of business owners as a share of the workforce has declined steadily over the past two decades, hitting a record low in 2025. The decline is particularly pronounced for owner-managers with employees and less steep for solo owner-operators. It is evident across all age cohorts, including younger workers.

In line with these trends, there has been a long-term decline in the rate of new businesses with employees. This is concerning because a healthy rate of employing-business entries is an important component of business dynamism. Entry rates provide good insight into dynamism trends because they mark the birth of businesses that have made a commitment to growth.

In contrast, there has been an increase in the number and entry rate of new businesses without employees over the last decade. This has coincided with a steady rise in the proportion of workers with multiple jobs. These second jobs can include 'side hustles' and 'digital platform' work such as deliveries and ridesharing. The majority of these second jobs

are undertaken primarily to supplement income, however, rather than as part of a plan to start a business. Many involve low-income activities that may not scale up well into a viable business.

We also find that since the disruptions of COVID-19, the recovery path for business formation rates has varied across states and industries. Victoria has had a weaker and slower recovery in the establishment of "employing businesses" than the other large states, taking it from amongst the leaders to a laggard on this measure.

The broad decline in business creation has coincided with a range of trends that are likely to be collectively discouraging business formation by self-employed owner-managers, including costly access to external finance, insufficient entrepreneurial skills and culture, rising regulatory costs and barriers, and increased market concentration.

Australia is not alone in this experience – long-term business creation rates have declined globally. However, our barriers appear to be worsening compared to international peers.

In Australia, new business supports are provided by all three levels of government plus education, non-profit, professional and industry organisations. Collectively, they have so far been insufficient to reverse the decline.

The challenge requires action by all stakeholders. The varying post-COVID trajectories across states – in particular Victoria's weaker recovery – demonstrate the need for a holistic approach that goes beyond national-level settings. Now is the time to review and revise these supports, based on the best local and global evidence.

As a priority, we must: remove as many barriers to starting a new business as possible; design and implement effective, sustainable supports; and remove or mitigate the global and structural factors that are restricting the operating environment for new businesses and ultimately keeping them from growing and prospering.

PRIORITIES FOR ACTION

The evidence in this report suggests that the decline in business formation is not driven by lack of entrepreneurial ambition, but by structural barriers that make starting and growing a business increasingly difficult. Regulatory complexity, financing constraints, capability gaps and market concentration are discouraging the formation and growth of new firms and having an impact on our productive capacity.

Policy priorities to strengthen business formation

1. Reduce the administrative burden of running and growing a business

The evidence shows that Australia performs well on the technical steps required to start a business, but ongoing administrative and compliance requirements impose significant costs that disproportionately affect small and new firms. Governments should prioritise simplifying regulatory processes and reducing duplication across jurisdictions.

This includes streamlining licensing and reporting requirements, improving coordination between federal, state and local systems and reviewing restrictions such as non-compete clauses that limit labour mobility and entrepreneurship.

Further analysis should identify which regulatory requirements impose the greatest burden on new businesses and where simplification would have the largest impact to encourage scale.

2. Strengthen entrepreneurial capability and management skills

A lack of knowledge, experience and support often prevents entrepreneurial intentions from translating into viable enterprises. Improving access to practical business skills and management capability is critical to converting interest into business formation.

Governments and industry should strengthen the reach and impact of existing programs that support entrepreneurial capability, including training, mentoring and information services.

3. Expand access to finance and risk protection for new businesses

Limited access to external finance and affordable insurance is a significant barrier to business formation and growth. Rising household debt, collateral requirements and tightening financial conditions have reduced the ability of many prospective entrepreneurs to secure funding.

Policy should focus on broadening financing pathways for start-ups and growth-oriented small businesses. This includes improving the accessibility and visibility of existing grant programs, encouraging greater competition in lending and financial markets and addressing barriers that restrict access to domestic and international sources of capital.

More detailed analysis and research should be conducted to evaluate which policy instruments would be best suited to achieving this.

4. Address structural barriers to entry and competition

Rising industry concentration and the market power of large incumbent firms discourage new entrants and limit the growth of emerging businesses. A dynamic economy requires competitive markets where new firms can enter and scale.

Competition regulators should continue to strengthen enforcement against anti-competitive conduct and undertake targeted market studies in sectors where barriers to entry appear high.

WHY DO NEW BUSINESSES MATTER?

New business formation is an essential ingredient in Australia's business dynamism, economic growth, productivity and prosperity. New and young businesses are strongly associated with innovation, sustainability and resilience. This is not necessarily due to their smaller size, but more to their novelty, adaptability, risk appetite and enthusiasm.

Regardless of their intentions or growth potential, new businesses can provide meaningful jobs and valuable learning opportunities, both for self-employed business owners and for their employees.

Economic dynamism

At their best, new businesses push the technology frontier, bringing new products to market, commercialising novel production methods and laying the foundations for new supply chains, ecosystems and industries. These new solutions can bring long-lasting economic benefits. For example, Australian graphic design startup and tech unicorn Canva has quickly grown to employ more than 4000 employees, with large knock-on benefits for the Australian business environment (Case study).

Growth-minded new and young businesses are also crucial for strengthening economic resilience, diversity and vibrancy. Greater flexibility allows these businesses to adapt faster, which is particularly valuable at times of heightened technological, cultural, environmental or geopolitical change, such as the current period.

Historically, Australia has had a relatively high rate of new and young businesses compared to similar countries. To ensure Australian businesses are amongst the most competitive and dynamic in the world, we must address the decline in business formation and entrepreneurialism.

Meaningful employment

Self-employment is a career goal for a significant portion of Australia's workforce. Autonomy, meaning, flexibility and creativity are all commonly sought by entrepreneurs, alongside financial reward. For those who do not want to be entrepreneurs, new businesses often create new sources of employment.

Not all new businesses will grow, compete and innovate over the long term. However, even short-lived, small or failed businesses can provide important training and skills development along the way. Aggregate business formation rates provide an important indicator of dynamism by documenting all new businesses across this spectrum of intentions and success. By studying these data in detail, we can identify meaningful trends and design pathways to support the more growth-oriented new businesses.

CASE STUDY: CANVA'S CONTRIBUTION TO A DYNAMIC BUSINESS ENVIRONMENT

Technology start-ups valued at more than \$1 billion are known as unicorns. Australia's largest unicorn, the graphic design software company Canva, provides a useful case study of the broader economic value that high-growth start-ups can generate. While most new businesses will not grow to Canva's level, its trajectory highlights how such businesses can drive innovation, employment and wider spillover benefits across the economy.

Founded in 2013, Canva already had more than 4000 direct employees and was valued at \$65 billion in 2025.^{1,2} This rapid growth is a function of its highly innovative culture. New product lines have challenged market incumbents and driven industry change globally. It was a first mover in the use of AI to assist in the design process. These products are now used in 190 countries.

While a portion of its employees are located overseas, a large majority are in Australia, providing a large boost to employment in high-skill, high-value technology occupations.

Moreover, dynamic workplaces such as Canva often instil entrepreneurial spirit and skills amongst their workforces. This can have large long-term spillover effects, with employees leaving to start their own new businesses and continue the entrepreneurial cycle.

Australian startups Adora, Human Health and Index are just three examples of businesses started by ex-Canva employees.^{3,4,5} In 2025 they were valued at over \$10 million each and are growing their own new workforce, with potential to spawn a further generation of tech-related startups. This growing 'family' of firms demonstrates the benefits of high growth start-ups to business dynamism.

The rarity of unicorns like Canva means they are hard to replicate, but reversing the decline in business formation will make it easier to find and nurture the next one.



AUSTRALIANS' INTEREST IN STARTING A BUSINESS IS HIGH

Not everyone wants to start a business as part of their career journey, but those who do play an important role in creating and growing a dynamic business culture that contributes to the nation's economic growth, productivity and prosperity. As a starting point, we need a strong cohort of individuals who are keen to take on this challenge and the associated risks.

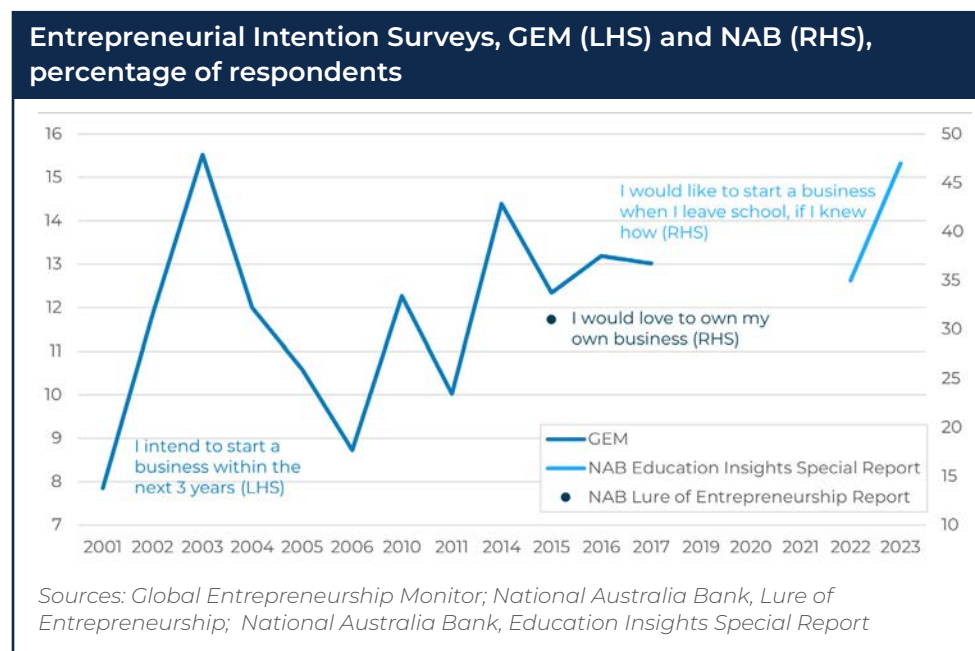
No single data source directly tracks Australians' entrepreneurial intentions over time. However, a collection of historical time series and more recent snapshots shed some light on this question.

Collectively, they suggest interest in starting a business has, if anything, increased over time (Figure 1). They indicate strong interest in future self-employment and business ownership, particularly among younger Australians.

- The Global Entrepreneurship Monitor (GEM) indicates the percentage of working age Australians who intend to start their own business within the next three years grew from 7.8 per cent in 2002 to 8.7 per cent in 2010 (immediately after the GFC) to 13 per cent in 2019;⁶
- A 2016 NAB survey found that around 30 per cent of all working-age people said they would prefer to own their own business instead of being an employee. Intentions to own a business were highest among men (35%) and people aged 18 to 29 years (45%);⁷
- In a 2024 survey by Small Business Loans Australia, 17 per cent of adults said they wanted to start a new business as their primary income source within the next five years and 38 per cent said they wanted to do so as a 'side hustle' (secondary income);⁸ and
- Most recently, NAB's Life After School survey of secondary school students found that 47% "would like to start a business when they leave school, if they knew how" in 2024, up from 35% 2023. 19% of students in 2024 said their own future success would include running their own business or being self-employed at some stage in their career (See Appendix).⁹

The motivations behind these intentions are multifaceted. NAB's 2016 survey of aspiring entrepreneurs indicated that autonomy, personal

Figure 1: Australians' interest in starting their own business is high and rising



satisfaction and quality of life were large motivations, while potential remuneration and reward also polled highly. In 2024 however, Small Business Loans Australia found money had become the main motivation, with 68 per cent of people who wanted to start a business nominating 'better income' as their main reason, followed by 'create work that I enjoy' (56 per cent) and 'work-life balance' (47 per cent).¹⁰

While some aspiring business founders might intend to develop large growing businesses to rival established companies, others wish to capitalise on lifestyle trends. The latter type of business may not be an immediate and direct driver of significant business dynamism, but is still important over the longer term, because it provides a valuable real-life training ground for entrepreneurial skills that will contribute to future endeavours.

STARTING OUT: SECOND JOBS, 'SIDE HUSTLES' AND THE 'GIG' ECONOMY

There are many routes to founding a new business. In recent years, second jobs including 'side hustles' and gig work have grown in popularity. Depending on their structure, these activities can be included in aggregate business data (for example, if a 'gig' worker registers an Australian Business Number (ABN) for tax purposes).

These springboard activities often provide excellent hands-on learning opportunities for individuals, but the evidence suggests that few will grow into independent businesses that can sustain longer-term business growth, innovation and dynamism.

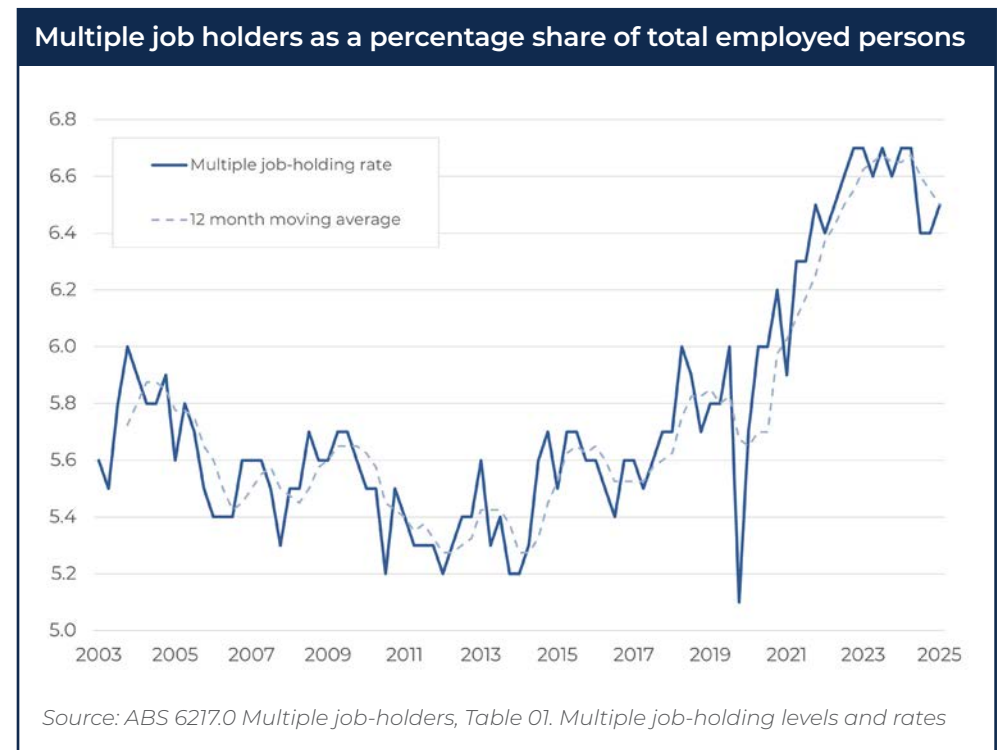
The rise of second jobs

Over the decade from 2015 to 2025, the proportion of Australia's workforce with more than one job grew steadily to a peak of 6.7 per cent in early 2024 (Figure 2). As of September 2025, 6.5 per cent of the workforce held more than one job, with the largest numbers working a second (or subsequent) job in the largest employing industries of healthcare, education and hospitality. The highest rates of multiple job holders as a share of each industry's workforce, however, were in administrative services (8.9%), agriculture (8.7%), arts (8.7%) and hospitality (7.5%).

Across age groups, multiple job holdings were most common for 20-24 year-olds in every time period. Eight per cent of workers in this age group had more than one job in September 2025. Higher rates were also reported in regional locations (e.g. in agriculture and hospitality).

Second jobs capture many types of non-standard work, including 'side hustles' and gig workers. Some of these activities have the potential to be pathways to starting a business.

Figure 2: The share of multiple job holders has grown over the past decade



Pathway one: The 'side hustle'

A recent version of the old 'garage-business' route to self-employment and business ownership is the concept of a 'side hustle', in which people start a micro-business, perhaps based on a craft, hobby or personal interest, while still employed elsewhere.

A recent Westpac survey on side hustles found 27 per cent of adults earned money through a 'side hustle' at some stage during 2025 and a further 28 per cent said they wanted to start one in the next 12 months.¹¹ In total, this is a higher level of interest than a similar survey by ING in 2021, which found that 48 per cent of adults "either have or are planning to start a side hustle", and a slightly higher level of active 'side-hustles' than the NBN's survey in 2017, which found 25 per cent of Australian adults were already deriving income from a side-hustle (half of which were operating online).^{12,13}

While these numbers sound high, the most popular activity in 2025 was 'In-person retail and e-commerce' (30%), which included ad hoc and occasional selling of new and second-hand goods, followed by 'creative content' (20%). Most side hustles generated revenue of less than \$500 per month and the average generated just \$8800 annually.

More importantly for identifying pathways to future businesses, only 30 per cent of side hustlers aspired to grow their business into a part-time or full-time job. The majority - 62 per cent - said they would always keep their venture as a small supplementary income stream.

This implies 30 per cent of 27 per cent – or eight per cent of working-age adults in 2025 were engaged in a side hustle that they wanted to grow into a small business one day (see Appendix).

Pathway two: Digital-platform worker in the gig economy

Another relatively new pathway to self-employment is the 'gig' economy or digital platform work, in which people are contracted to provide services on digital platforms. The most visible platforms are rideshare and delivery services such as Uber, Panda and Didi.

The ABS estimates that 178,500 people or 1.2 per cent of Australia's total workforce of 14 million people engaged in platform work at some stage during 2024-25, down slightly from 1.4 per cent of the workforce in 2024, but up from 0.9 per cent in 2022-23 and 0.8 per cent in 2020. In 2024-25, half of gig workers provided food-related delivery services, 39 per cent provided personal transport services and just 7 per cent sold professional services (see Appendix).¹⁴

This indicates that at best, digital platform work is forming a meaningful pathway to viable business ownership for only a small group of people. For the majority of gig workers, it provides only a *flexible source of supplementary income*.

The common themes that emerge from these pathways are:

- Most people take these opportunities to find immediate additional income;
- Their popularity has most likely risen in response to cost-of-living pressures and the emergence of new income-earning opportunities online and elsewhere;
- Few are pursued with the intention of creating a viable new business; and
- The resources and effort that individuals are directing into their supplementary activities might be detracting from the resources available to establish viable new businesses, particularly in a climate of tight labour markets and rising household cost pressures.

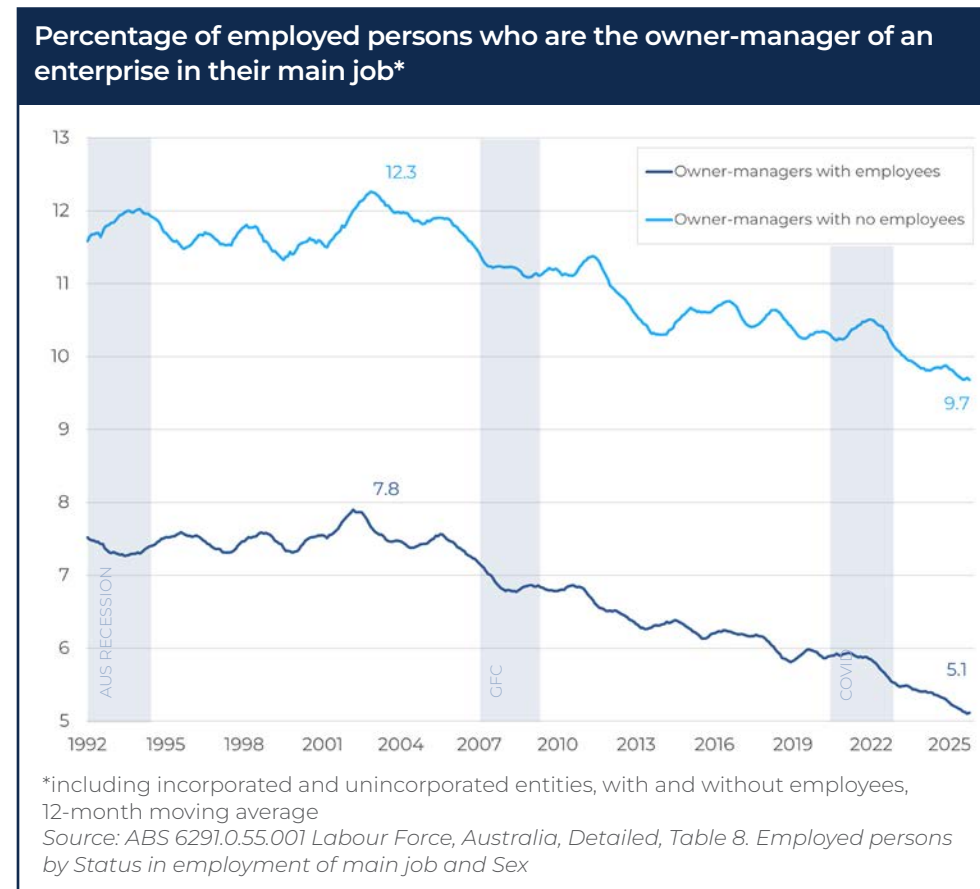
BUSINESS OWNER-MANAGERS ARE IN DECLINE

There has been a long-term structural decline in the proportion of Australian workers who are employers rather than employees over the past two decades (Figure 3). Owners of an enterprise with employees peaked at 7.8 per cent of the total workforce in 2002 and hit an all-time low of 5.1 per cent in June 2025. Owners with no employees peaked at 12.3 per cent in 2002, declining to a record low of 9.7 per cent in 2025.

Interestingly, the steepest declines occurred after periods of significant economic disruption such as the GFC and COVID-19. This is likely related to government support measures and/or to changes in total employment during these periods. During COVID, government supports for small business stemmed the usual flow of people out of business ownership and kept the net number of owners stable. This indicates that the COVID-19 business supports temporarily slowed, but did not halt, this long-term decline.

Australia's ageing population does not appear to be the key driver of this trend. Our analysis shows employment as an owner-manager consistently increases with age, in raw numbers and relative to the size of each age cohort (Figure 4). That is, a worker in their 50s or 60s is far more likely to own a business than a younger worker.

Figure 3: Owner-managers have declined as a share of the workforce



This is true globally and reflects the fact that older workers are more likely to have the capital, credit, experience and confidence to establish or buy a business. Older business owners are also less likely to retire early than older employees, so they progressively make up a larger share of those in their age group who remain in the workforce.

In every age cohort however, Australians were far less likely to be an owner-manager of their own business in 2025 than in 2019 or earlier. This suggests a rise in barriers that are affecting all age groups, rather than age-specific factors or the aggregate impact of ageing.

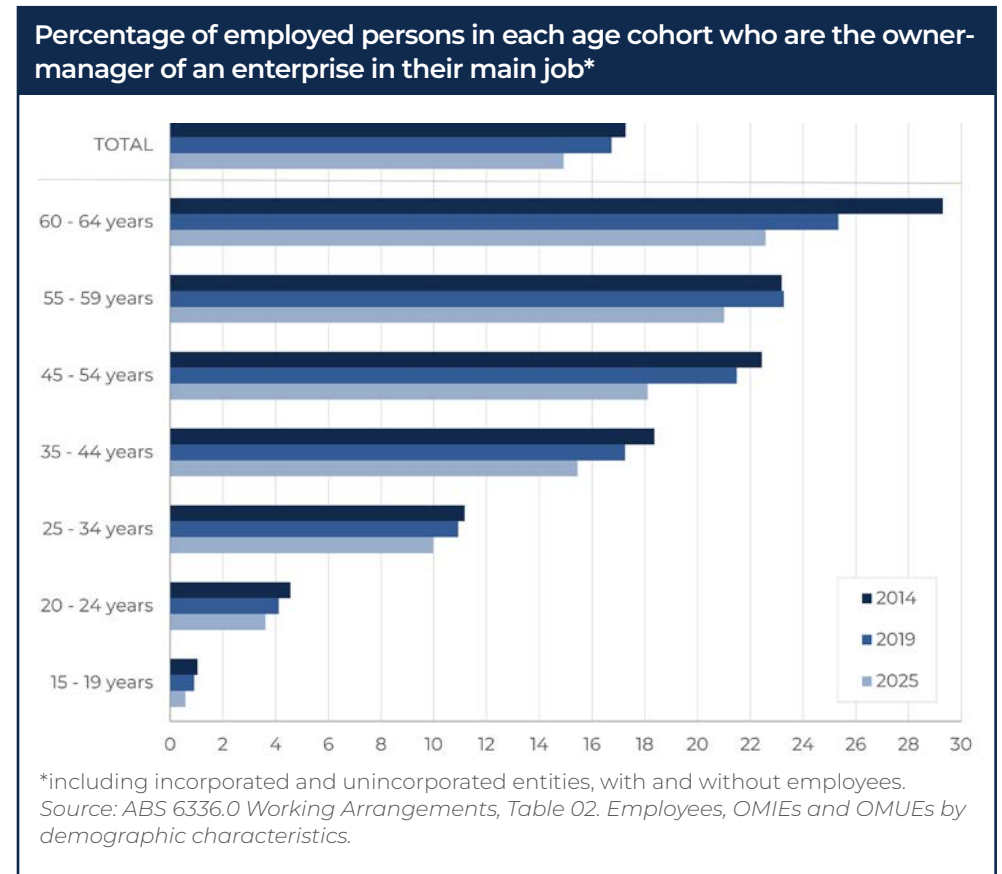
Fewer Australians are switching into business ownership

Ultimately, business dynamism requires constant movement in and out of businesses. Looking beyond point-in-time numbers or rates of owner-managers, the flows in and out of self-employment tell us how many people are taking the leap into starting a business, or jumping out of one.

This flow – or mobility – into self-employment has declined over the past decade. The most recent national data show 1.1 million people changed jobs in the 12 months to Feb 2025, but only 293,000 moved into or out of an owner-manager role. This meant only 26 per cent of all job moves included a move into or out of an owner-manager role and only two per cent of the workforce made such a move that year, down from 31.6 per cent of all moves and 2.5 per cent of the workforce one decade earlier (see Appendix).

This indicates not only that there are fewer owner managers in total, but also that fewer people are moving into and out of owner-manager self-employment each year. It confirms that this personal form of business dynamism has declined over the decade.

Figure 4: The share of business owner-managers is down in every age group



EMPLOYING BUSINESS ENTRIES ARE IN STRUCTURAL DECLINE

The number of active businesses tracks roughly to the number of business owner-operators in each year. Some businesses have more than one owner, while some individuals own and operate more than one business. At an aggregate level, the total business formation rate has grown modestly over the past decade. However, this headline result hides important underlying dynamics.

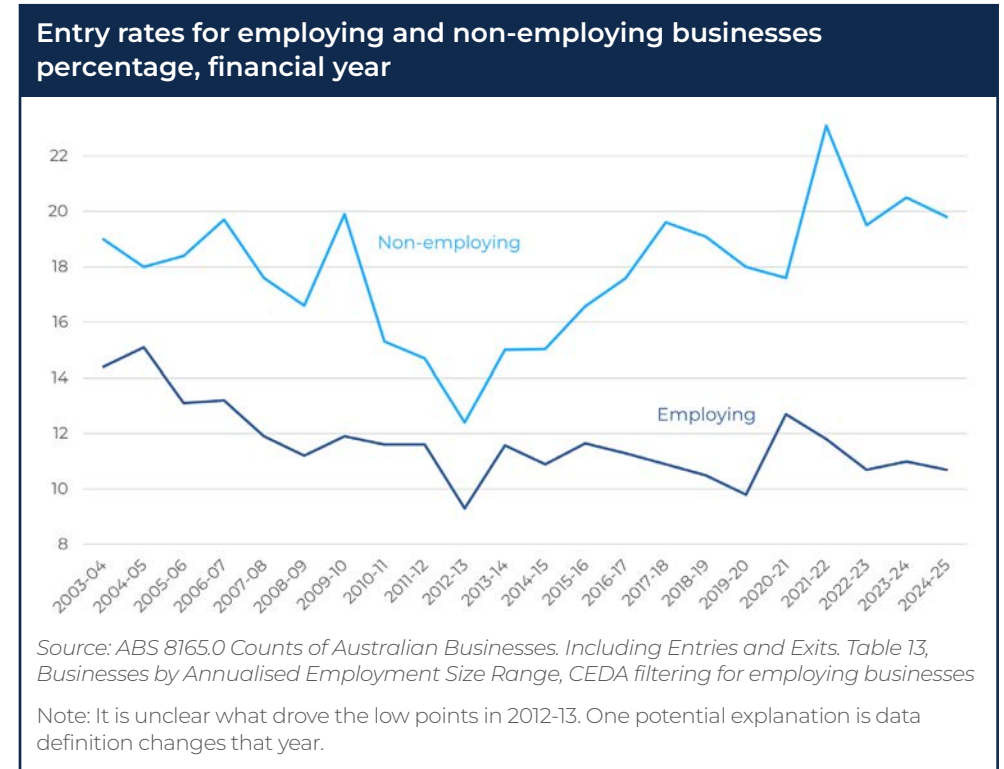
Firstly, the recent growth in entry rates is almost entirely driven by businesses without employees (Figure 5). The expansion of the gig economy, flexible contracting models and low-barrier digital platforms have contributed to this trend, with entry rates for businesses without employees rising from a two-decade low of 12.4 per cent in 2012-13 to 19.8 per cent in 2024-25.

In contrast, the entry rate for businesses with employees declined steadily through the 2000s and has since been relatively flat, falling from a 2004-05 high of 15.1 per cent to 10.7 per cent in 2024-25. This suggests a structural weakening in the creation of such businesses.

This is concerning because solid rates of employing-business entries are an important pre-requisite to business dynamism. Tracking this rate provides a more accurate assessment of dynamism trends as it pinpoints the businesses that have made a commitment to growth.

Further, some businesses without employees are started for reasons that are unlikely to directly contribute to a more productive and dynamic business environment over the longer term. For example, a graphic designer might resign, register their own ABN and return to the same business as a contractor, as part of a business restructuring round. Or a delivery driver might register their own ABN and cover all their own vehicle costs, while providing delivery services on contract to a single company or through a single delivery platform.

Figure 5: Entries for employing and non-employing businesses have diverged



Employing business creation rose during the initial 2020-21 COVID disruption, reflecting temporary shifts in labour demand and government support. In contrast, non-employing business entries did not peak until 2021-22, likely due to border closures constraining migration, which appears to be correlated with new sole-trader activity. Both have now largely normalised, with entry rates sitting slightly above their pre-COVID levels.

Figure 6: Entry rates for employing businesses vary by state

Employing business entry rates by state, percentage, financial year



Source: ABS 8165.0 Counts of Australian Businesses, Including Entries and Exits, Data Cube 2, Businesses by Main State by Industry Class by Annualised Employment Size Ranges

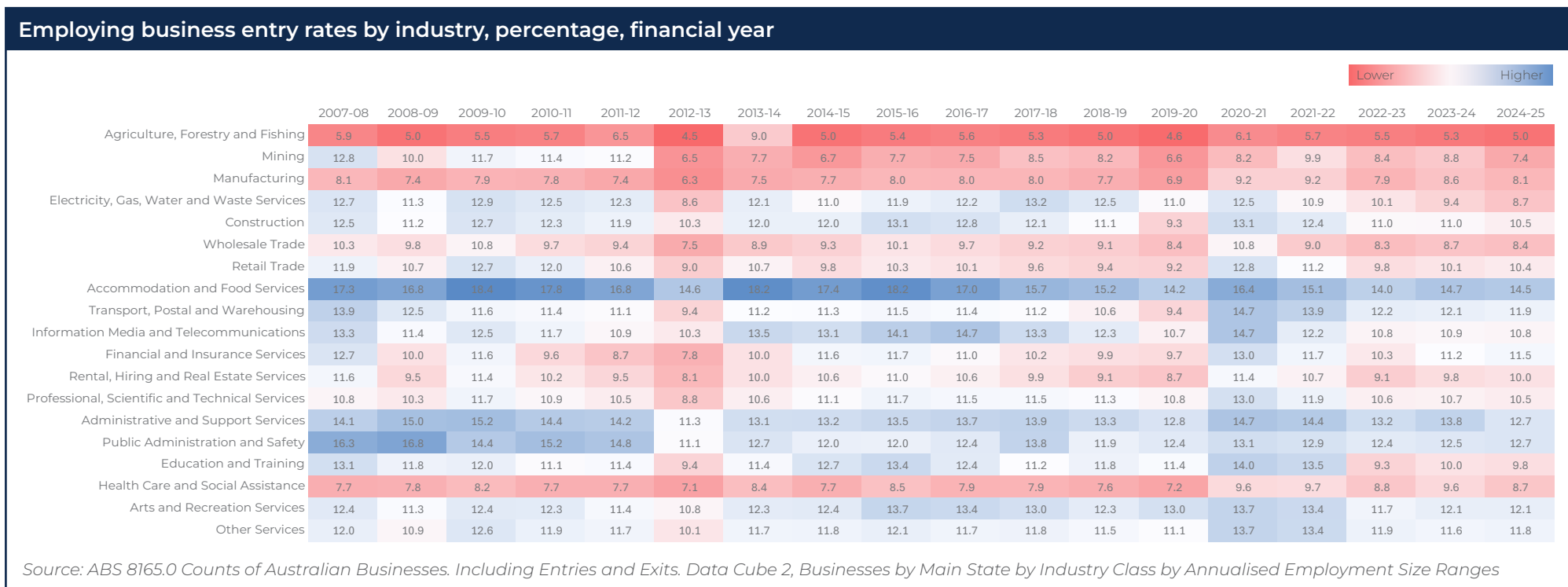
Business creation has declined in all states

Examining business creation trends by state shows that the five largest states all experienced a decline in entry rates over the last two decades (Figure 6).

Structural differences in entry rates reflect state differences in industry composition, demographics and income levels. Rates are consistently weakest in South Australia, whilst prior to the pandemic, New South Wales, Queensland and Victoria typically exhibited the highest – and broadly similar – levels of business creation.

As of 2025, entry rates have risen to above pre-pandemic levels in all mainland states except for Victoria, which has continued to see lacklustre creation of employing businesses. This could be related to Victoria’s longer, deeper COVID-19 activity restrictions, its larger exposure to international education (which was hit harder than many other industries), and/or to the subsequent increases in business-related state taxes and charges, which may have dampened local business recovery and entry.

Figure 7: Entry rates for employing businesses vary significantly across industry and time



Business entry rates are lower in most industries

Not all industries are equally conducive to new businesses, but our analysis shows the rate of employing-business creation has declined or remained stable in almost all industries over the last two decades (Figure 7).

Likely driven by the introduction of the NDIS, ‘health care and social assistance’ was the only industry to experience an increase in 2024-25 (8.7%) compared with 2007-2008 (7.7%).

There was a significant decline in mining, which fell by more than 5.4 percentage points from the peak of the mining boom in 2007-08. There was a similar drop in ‘electricity, gas, water and waste’, which predominantly fell post-COVID, while education has also failed to recover from the pandemic.

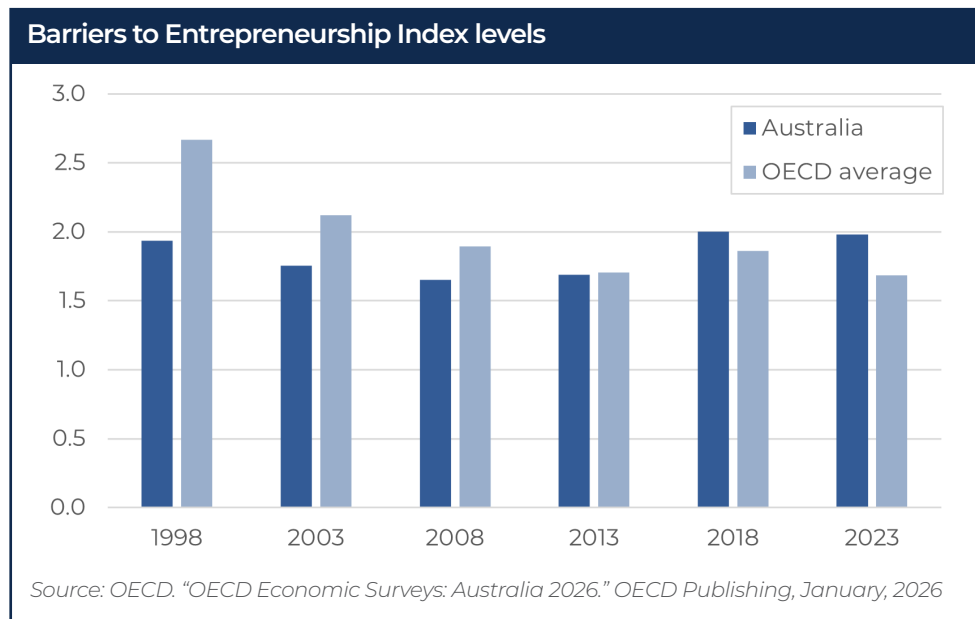
This broad-based decline suggests structural barriers beyond industry composition are responsible for the aggregate decline in employing-business entries.

BARRIERS TO NEW BUSINESS ARE COMPLEX AND LAYERED

The decline in business entries is not unique to Australia – it has also been observed internationally.¹⁵ A broad range of structural and policy barriers can impede business entry rates and entrepreneurialism in an economy. The barriers felt in Australia appear to be worsening when compared to other countries.

The OECD's Product Market Regulation (PMR) indicators suggest Australia's entrepreneurial barriers have remained flat over the past 25 years, while the OECD average has fallen from far above to below Australia (Figure 8). This means barriers to entrepreneurship have become more restrictive in Australia than in other economies. Elsewhere, the most recent IMD World Competitive Yearbook ranked Australia 68th out of 69 countries for Entrepreneurship.¹⁶

Figure 8: Australia's barriers to entrepreneurship are above OECD averages



Entrepreneurial barriers can be broadly grouped into structural characteristics of the economy, and institutional and policy frameworks that constrain new businesses. Structural characteristics influence the underlying environment in which new businesses are formed.

One such barrier is the level of market concentration. Australian industries are increasingly concentrated amongst a select few large firms.¹⁷ Such firms wield greater market power, raising the cost to compete for smaller players. Research in Australia has linked high market concentration to lower business entries in subsequent periods.¹⁸ Globalisation reinforces these effects. Exposure to large international competitors can disproportionately disadvantage small and new firms that lack scale and expertise.¹⁹

A lack of entrepreneurial skills, knowledge and culture also influences entry rates. Many individuals cite lack of knowledge as a key barrier to starting a business or side hustle.²⁰ Moreover, formal education programs are underutilised, with many entrepreneurs instead relying on informal networks and social media to develop the skills to start and run a business.²¹

Beyond these structural factors, institutions and frameworks shape the constraints felt by new business. The regulatory burden facing Australian businesses is often cited as a leading barrier to business dynamism and firm entry.

Although registering for an ABN is free and the World Bank ranked Australia 7th for "ease of starting a business" in 2020 (see Appendix), once the first steps have been taken to start a business, obstacles arise in the form of ongoing administrative reporting and requirements, which CEDA has found to have grown in amount and restrictiveness.^{22,23} This heightened complexity is reflected in compliance costs, which have grown from 4.2 per cent of GDP in 2013 to 5.8 per cent in 2025.²⁴ While all businesses must meet these obligations, small and new businesses often lack the resources and expertise to do so. This means higher costs as a percentage of revenue when compared to larger incumbents.²⁵

Beyond government regulation, employment contracts and non-compete clauses can limit workers' ability to change jobs, including using their skills and industry expertise to go solo. Around one-in-five workers are subject to non-complete clauses in Australia.²⁶ In recognition of this, the Federal Government committed to ban non-compete clauses for low-and-middle-income workers in its 2025-26 Budget. This reform is welcome and should help to limit this barrier.

Access to affordable external finance is another challenge often cited by small and medium businesses.²⁷ This is partially reflected in the total value of loans to small businesses, which has been in decline in inflation-adjusted terms over the past five years.²⁸

Many factors could be at play here. The requirement to provide residential property or other physical assets as collateral for a business loan has become more difficult for small businesses.²⁹ Declining rates of home ownership may mean fewer people – particularly young people – have a home they can use as collateral for a business-related loan.

Australian households also hold some of the highest levels of debt in the world.³⁰ High debt levels can raise risk aversion and lower credit ratings for potential entrepreneurs, potentially resulting in lower appetite and greater difficulty in accessing funds to start a business.³¹

At the same time, small business insurance premiums have risen by up to 60 per cent since 2019.³² These rises reflect elevated risks and costs related to extreme weather events, crime, inflation and regulation.³³ The Federal Government's inquiry into small business insurance is a welcome step to address this growing cost.³⁴

Finally, while far less prevalent amongst small business, private equity financing has also failed to grow. The number of venture capital deals, which are particularly attractive to tech start-ups, has been declining since the pandemic.³⁵ This could partially reflect Australia having the most stringent Foreign Direct Investment (FDI) restrictions in the OECD.³⁶ With a relatively small local non-bank financing sector, this leaves fewer options.

In anticipation of these large and ongoing obstacles, many would-be entrepreneurs may choose not to start a business in the first place.

IMPROVING AUSTRALIA'S ENTREPRENEURIAL ECOSYSTEM

Current policies and programs have not been sufficient to reverse Australia's structural decline in business formation. The evidence in this report points to several areas where reforms could strengthen Australia's entrepreneurial ecosystem and improve the environment for new firms.

Business entry is relatively low-cost in Australia (see Appendix), so most policy levers across all levels of government focus on supporting the post-entry phase. Effective supports can improve expected business outcomes and reduce perceived risks, which in turn encourages more people to start and grow a business.

More efficient and coordinated business regulation should be a priority for both federal and state governments. Administrative compliance costs fall disproportionately on small firms, and differences in state regulation and tax settings may contribute to varying business formation rates. State governments must ensure their processes and regulation are not excessively hindering business entries or growth.

Previous CEDA research has advocated for more seamless regulation across state borders, including standardised and simplified occupational licensing.³⁷ Harmonising regulation to be more efficient, targeted and coordinated will reduce compliance costs, which are disproportionately felt by small business. Banning non-compete clauses in some industries should also be considered to reduce barriers to entrepreneurship.

Access to government grants and support programs should be simplified. Access to federal grants through *Business.gov.au* and the *Industry Growth Program* are largely sector and/ or location specific, and each has its own eligibility criteria and selection process. State and local support is equally complicated and is often poorly integrated across levels of government. Duplication, uneven access and limited continuity create confusion and uncertainty that limit their uptake.

Beyond grants and income supports, governments should prioritise reducing financing constraints and improving access to insurance for new businesses. Restrictions governing the banking and financial markets should be relaxed to enable greater competition from domestic and foreign players.³⁸ More detailed analysis and research should be conducted to evaluate which policy instruments would be best suited to achieving this.

Elevating Australia's entrepreneurial knowledge, skills and culture should be another key avenue to boost business creation and dynamism. Current strategies, including business hubs and the *Australian Business Licence and Information Service*, should be better promoted and expanded to increase entrepreneurial information, training, coaching and mentoring.

Previous CEDA research has highlighted the importance of incorporating stronger dynamic management training in government-run programs to boost business dynamism.³⁹ Digital tools, multilingual resources and stronger regional outreach could further reduce information barriers to starting and growing a business.

Reducing barriers to entry in concentrated industries is another important reform area. Stronger enforcement of competition rules and targeted market studies can help identify sector-specific barriers that limit new firm entry.⁴⁰

Reform should build on existing supports but be guided by evidence about the barriers most affecting new firms. A more coherent and coordinated policy framework would reduce perceived risks, strengthen business capability and support higher rates of business formation over time.

CONCLUSION

Entrepreneurial intentions remain strong across generations, particularly amongst young Australians. Yet this is not spurring the creation of new employing businesses. Instead, the growth of side hustles, second jobs and non-employing businesses reflects a response to income pressures and flexibility preferences, rather than growth in business dynamism. While these activities provide valuable additional income, they rarely develop into scalable, long-term and productive businesses.

At the same time, Australia is experiencing a structural and broad-based decline in self-employment and in the formation of employing businesses. This is evident across all age groups, industries and states. This trend has continued since the disruptions of COVID-19 and points to deep structural and institutional barriers to business creation. Market concentration, globalisation, compliance complexity and access to finance and insurance are all collectively discouraging business formation.

Correcting this decline will require a coordinated approach. Instead of replacing current supports, policies and frameworks should be improved and streamlined. Easing access to grants, finance and insurance, and elevating skills and entrepreneurial capability, will give prospective entrepreneurs greater means with which to start a business. More broadly, reducing regulatory complexity and market concentration will reduce the cost of starting and growing a business.

Stronger rates of business formation and dynamism are essential to lifting our flagging productivity and ultimately, creating sustainable, long-term prosperity for all Australians.

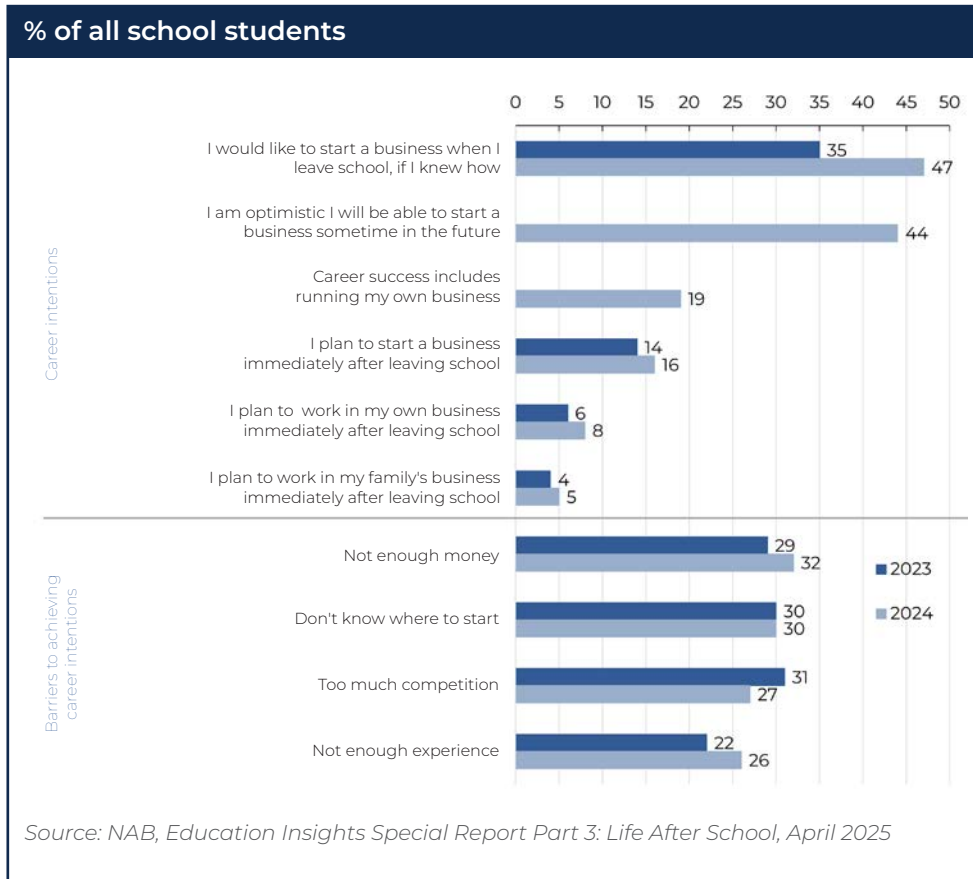


APPENDIX: STATISTICAL DEFINITIONS AND ADDITIONAL DETAIL

Entrepreneurial intentions of Australian school students

Among Australian secondary school students surveyed for NAB in 2024, 47% “would like to start a business when they leave school, if they knew how”, up from 35% in 2023.

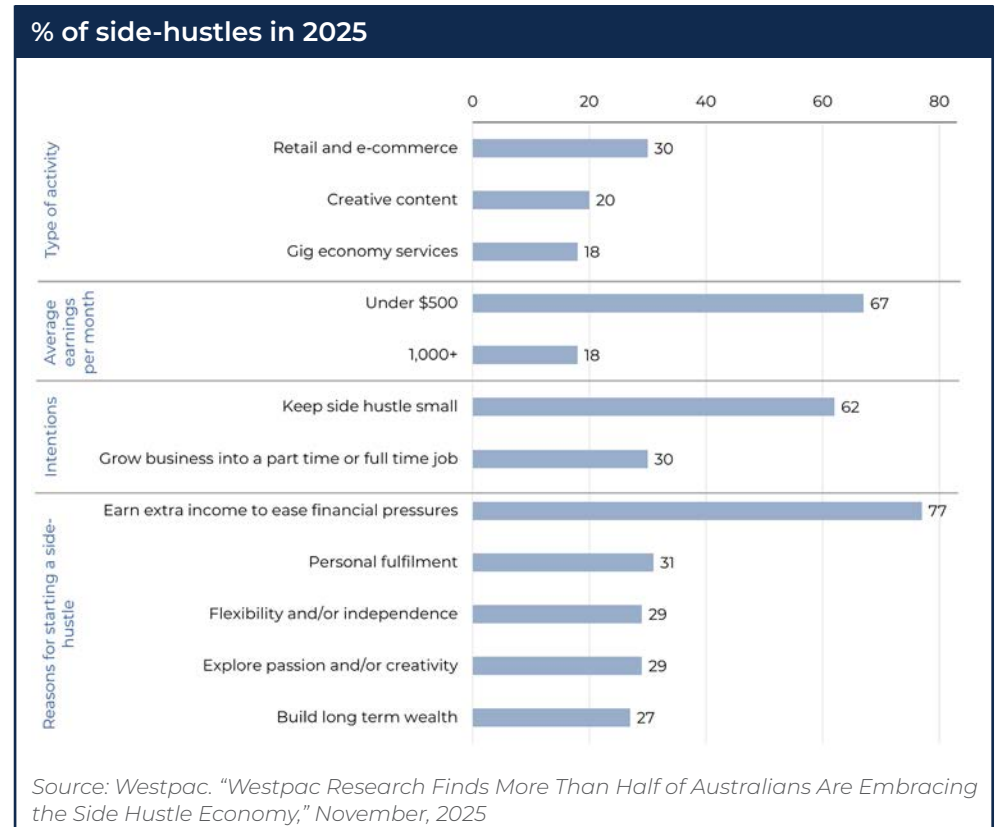
Figure A1: 47% of students want to start a business when they leave school



‘Side-hustle’ workers

‘Side hustles’ are self-initiated employment or income-earning activities outside a person’s main job. Typical side hustles include selling your services outside your normal working hours, selling and trading in new or second-hand goods, or selling creative outputs in person or online.

Figure A2: 27% of Australian adults earned money from a side hustle in 2025

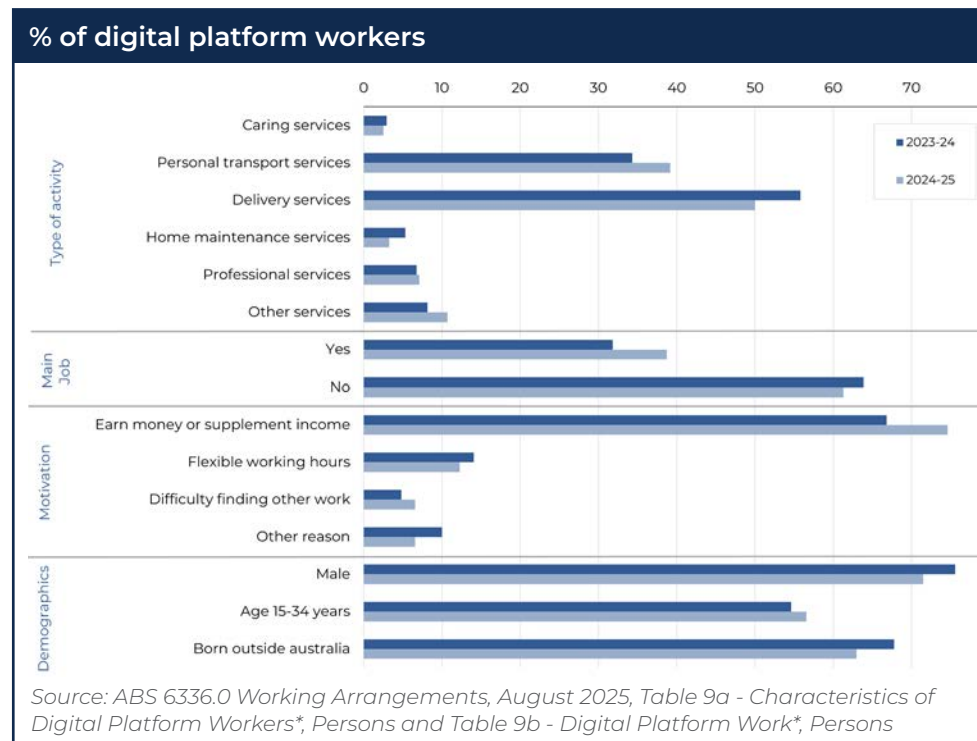


Digital platform workers

Digital platform or 'gig' work is a form of short-term contract employment that is paid per task undertaken, rather than a pay rate per hour. This pay structure is slowly shifting, with some ride-share platforms now guaranteeing their contractors a minimum pay rate per hour.

The ABS estimates that 178,500 people engaged in platform work at some stage during 2024-25, down from 200,900 people in 2023-24. This equates to 1.2 per cent of Australia's total workforce of 14 million people in 2025, down slightly from 1.4 per cent of the workforce in 2024, but up from 0.9 per cent in 2022-23 and an estimated 0.9 per cent in 2020.⁴¹

Figure A3: 1.2% of the workforce earned money from digital platforms in 2024-25

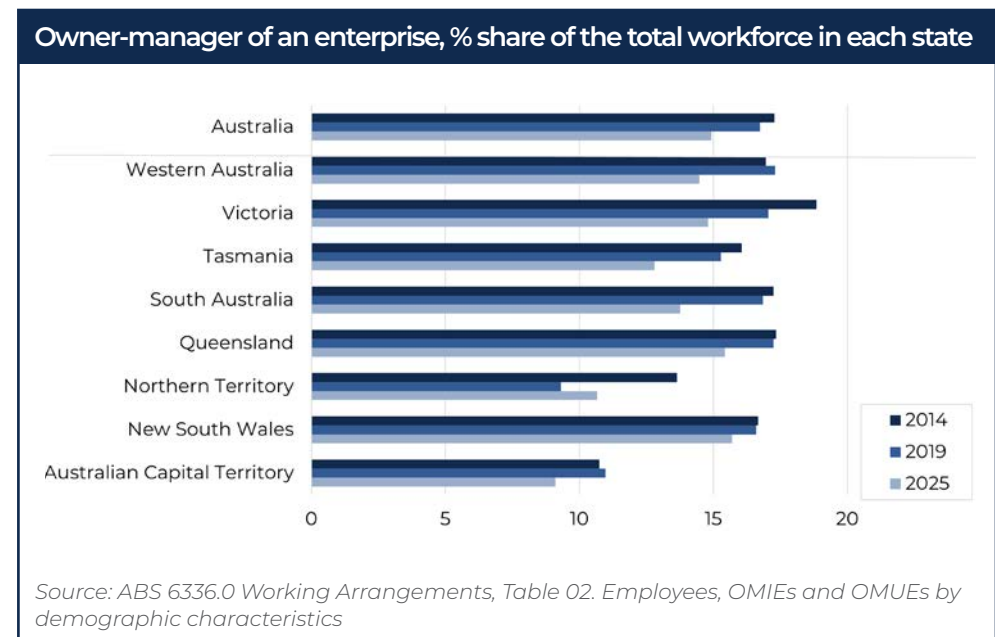


Self-employed business owner-operators, by state

The proportion of owner-managers in each state and territory has traditionally reflected local industry compositions. Prior to COVID-19, it was usually highest by a small margin in Victoria, which had larger construction, manufacturing and wholesaling industries. It was usually lowest in the territories, both of which have larger shares of public-sector activity.

A smaller share of the workforce was employed as owner-managers in 2025 compared to 2019 in all states and territories except for the Northern Territory. Victoria showed the steepest decline, falling from a nation-leading 18.8 per cent of the workforce in 2014 to 14.8 per cent in 2025 and just 4.9 per cent for business owners with employees. In Victoria and WA, the drop in business owners with employees happened in absolute terms and not just relative to the size of the state's workforce.

Figure A4: Owner-managers had bigger declines in south-eastern states



Labour mobility into and out of 'owner-manager' status in employment

The annual ABS job mobility survey shows that in the 12 months to Feb 2025:

- 1.1 million people changed jobs; and
- 293,000 people changed their employment status when they changed jobs. That is, they moved between (into or out of) an owner-manager role and an employee role.

This means that in the year to Feb 2025, 26 per cent of all job moves included a move into or out of an owner-manager role, but only two per cent of the workforce made such a move that year, down from 31.6 per cent of all moves and 2.5 per cent of the workforce one decade earlier.

The same ABS survey also asks job movers if their move was voluntary or not, and if it occurred because they were intending to start their own business. In February 2025, 2.2% of the total workforce said that in the previous 12 months, they had voluntarily changed jobs AND that this move was because they wanted to start their own business, down from 2.7% in 2015.

Figure A5: Job changes related to business ownership have declined



Global rankings on ease of starting a business

In 2020, the World Bank ranked Australia 7th out of 190 countries for ease of starting a business, with a score of 96.6 points out of 100.⁴² This was below New Zealand (1st) and Canada (3rd) but above the UK (18th) and the OECD average for high-income countries.

This score is based on four metrics:

1. The number of procedures required to start a business, which in Australia is three, compared to a global best of one.
2. The number of days needed to start a business, which is two in Australia and 0.5 in the global best.
3. The cost of starting a business as a share of average income per capita, in Australia this is 0.7%, compared to a global best of zero.
4. The paid-in minimum capital requirements as a share of average income per capita, which is zero in Australia and 120 other economies.

In Australia, the procedures and costs required to start a business are:

1. Register for an ABN with the ATO, which is free and available same-day;
2. If starting a company, apply to register as incorporated with ASIC. This costs between \$503 and \$611 in 2026 depending on the type of company; and
3. Register for workers compensation insurance in the corresponding state or territory (compulsory for all employers) and pay the insurance premium applicable to their industry.
4. For non-employing micro-businesses, the process is even easier. Just one of these procedures is required to start a business and register for tax purposes (the ABN). The other two are only necessary if a business owner wishes to create a company and/or to employ people.

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Our purpose is to achieve sustainable, long-term prosperity for all Australians.

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Our work is guided by our Progress 2050 vision, which supports our purpose.

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