



REPORT SUMMARY

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

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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 <b>9.9%</b>	14.7% to <b>11.2%</b>	16.4% to <b>11.3%</b>	12.1% to <b>9.2%</b>	13.7% to <b>11.1%</b>

## 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



# EXECUTIVE SUMMARY

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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

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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.

## CONCLUSION

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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.



## About CEDA

CEDA – the Committee for Economic Development of Australia – is an independent, member-based public policy think tank. Our membership base spans all sectors and every state and territory.

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

For more than 60 years, CEDA has influenced Australia's public policy debate and been a catalyst for change on economic and social issues.

Led by Chair Christine Bartlett and Chief Executive Melinda Cilento, CEDA carries on the legacy of renowned economist Sir Douglas Copland, who founded CEDA in 1960.

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

## What we do

- We welcome members who want to engage in informed debate and explore innovative policy solutions.
- We host events that bring together thought leaders, experts and stakeholders to foster dialogue and develop solutions.
- We produce rigorous research by engaging with government, business, academia and the broader community to address long-term challenges and deliver better outcomes for Australia.



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