



NEWS RELEASE

1% increase in red tape on businesses results in 5% reduction in business startups

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For Immediate Release

VANCOUVER—Heavier regulatory burdens on technology startups are associated with a greater chance startups will fail—and those burdens can prevent prospective companies from starting in the first place, finds a new essay released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“The heavier the regulatory burden, the greater the death rate—and the lower the birth rate—of technology startup companies, which often fuel innovation and job growth,” said Liya Palagashvili, a Fraser Institute senior fellow, assistant professor of economics at the State University of New York-Purchase and co-author of [*Technology Startups and Industry-Specific Regulations*](#).

For example, according to the study, a one per cent increase in the regulatory burden of a specific technology industry in Canada is associated with a five per cent reduction in new startups in that industry.

And a 10 per cent increase in the regulatory burden is associated with a 3.5 per cent greater likelihood that the startup will shut down.

“If policymakers want to help spur entrepreneurship, innovation and the subsequent broader economic growth, particularly as Canada looks to recover from the COVID recession, they should ease the regulatory burden on young startups,” Palagashvili said.

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