

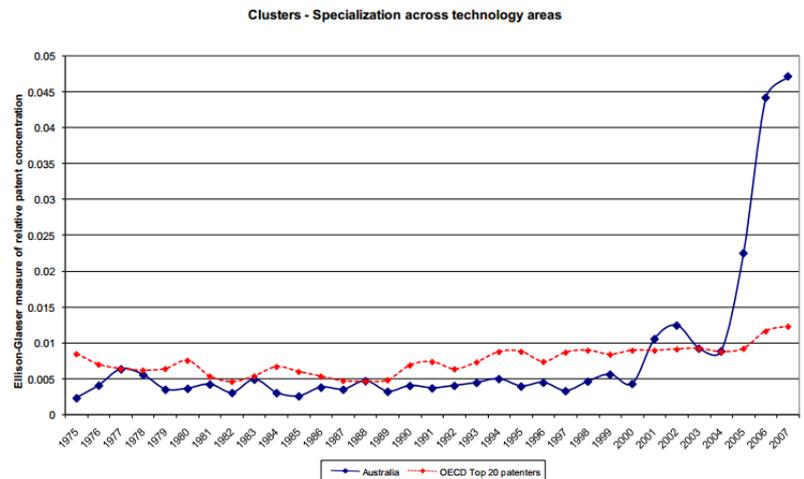
# Helping the Elderly: Encouraging innovation within Australian Small Businesses

## The characteristics of Australia's ageing population and small businesses

Australia's ageing population will diminish the productive capacity of our labour force whilst placing an increased burden on aged care services. By 2042, there will be 2.5 people of working age for every 65+ year old compared to 5 people of working age for every 65+ year old in 2002<sup>(1)</sup>. Furthermore aged care expenses are expected to increase from 0.8% of GDP in 2006-07 to 2.0% of GDP by 2046-47<sup>(2)</sup>.

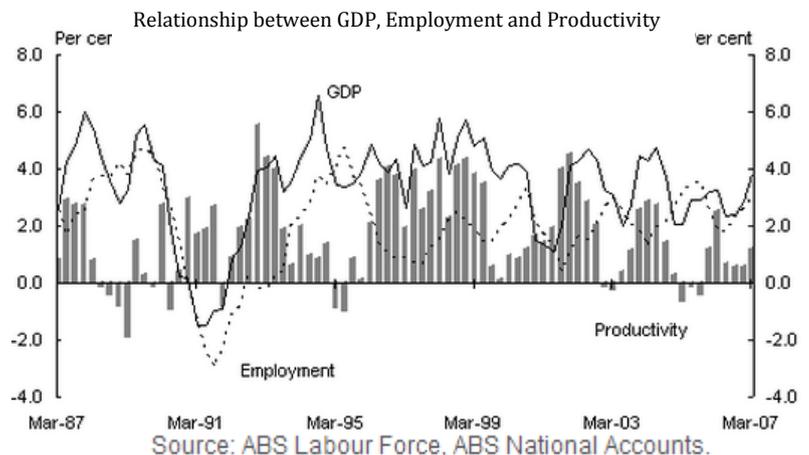
Australian small businesses account for 98.3% of all Australian businesses and 33.7% of all value added (i.e. the value of products produced from its employees) in the Australian Economy<sup>(3)</sup>.

Previous research by the Department of Industry, Innovation, Science and Research (DIISR) also shows Australian small business entrepreneurs are more likely to hold a tertiary education, work collaboratively and conduct innovative activity in high tech industries over our OECD counterparts<sup>(4)</sup>; see figure 1).



## How will innovative activity by small businesses aid economic growth? What should the Australian government do to encourage it? And what does this mean for Australia's elderly?

The OECD estimates that in Australia for every 1% increase in small business research and development (R&D), long term productivity growth in the economy increases by 0.11%<sup>(5)</sup>. Long term productivity growth is essential to the long term economic growth of developed nations such as Australia. Increased business innovation will help to reverse Australia's decline in multifactor productivity growth since late 2002 and aid in the ability of the Australian government to provide elderly care.



Australia's elderly population can also expect to directly benefit from increased small business innovation. The DIISR states favourable R&D investment conditions attribute to knowledge and ideas turning into new goods and services<sup>(6)</sup>. Australia's ageing population is expected to be rich in wealth and relatively poor in incomes<sup>(7)</sup>. Potential Innovation in financial services and wealth management may aid Australia's elderly population with asset management, protection of their income and hence their well-being.

Given the long term potential of small business innovative activity, the Australian government should continue to contribute towards its 'Commonwealth innovation investment' as it has from 2007-2010<sup>(8)</sup>. Furthermore, barriers towards small business innovation should also be addressed. For example, the DIISR has noted that a lack of skilled persons is a major barrier facing all business sizes and continued investment into education is needed<sup>(9)</sup>.