

# Entrepreneurship and the older worker

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## ENTREPRENEURSHIP AND THE OLDER WORKER

*Workers aged 50+ are significantly more likely than their younger counterparts to be self-employed or small business owners. Rather than retire, most small business owners plan to continue working indefinitely, cutting back on their work hours if needed. Some older workers anticipate starting a business or working for themselves part-time or full-time after retirement or a lay-off. But among those who have started their own businesses, few say that inability to find traditional employment was a factor in doing so.*

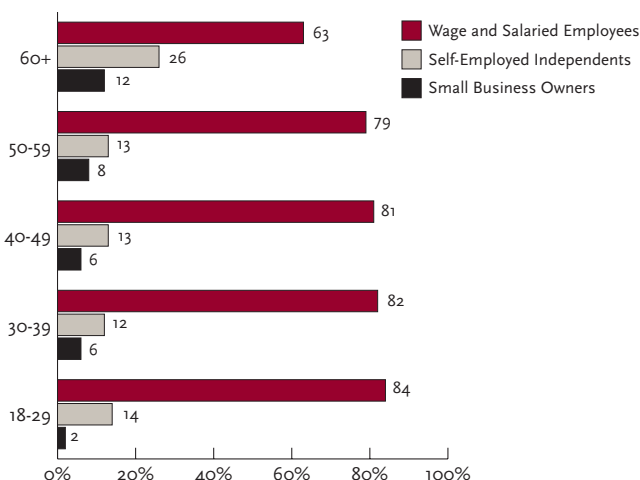
### Are older workers more likely to be involved in entrepreneurship than younger workers?

“Workers, 50 or older, are significantly more likely than younger workers to be independent self-employed workers (17% of older workers vs. 12% of younger workers) or small business owners (9% of older workers vs. 5% of younger workers) and thus, less likely than younger workers to be wage and salaried employees who work for someone else (74% of older workers vs. 83% of younger workers),” according to a 2005 analysis of the National Study of the Changing Workforce.<sup>1</sup>

According to a 2009 analysis of data from the Kauffman Foundation, individuals aged 55-64 “experienced the largest increase in entrepreneurial activity from 2007-2008 (0.31% to 0.36%), making it the age group with the highest entrepreneurial activity rate.” In comparison, “the 20-34 and 35-44 age groups experienced slight increases in entrepreneurial activity” (from 0.25% to 0.26% and 0.33% to 0.35%, respectively), while such activity remained constant for the 44-55 age group (0.35%).<sup>2</sup>

“In every year from 1996-2007, Americans aged 55—64 had “a higher rate of entrepreneurial activity than those aged 20—24. For the entire period, the 55—64 group averaged a rate of entrepreneurial activity roughly one-third larger than their youngest counterparts,” according to a 2009 Kauffman Foundation analysis.”<sup>3</sup>

Figure 1. Employment Situations of U.S. Workers of Different Ages in 2002



Source: McNamara, T. (2009). Unpublished data analysis. Chestnut Hill, Sloan Center on Aging and Work.

### How does entrepreneurship affect plans for retirement?

“Only 11% of small-business owners say they plan to retire and stop working in their businesses in the long run,” according to a 2008 Gallup survey. Fully 40% say they “will continue to work as long as their health allows them to do so.” Another 47% say they “eventually plan to cut back on the work they do but maintain their involvement in their businesses.”<sup>4</sup>

According to a 2008 AARP survey of older workers, “11% of older workers anticipate starting a business or otherwise working for themselves in retirement.”<sup>5</sup>

“Nearly 7 in 10 workers expect to continue to work full time or part time following retirement from their main job, including 15% who expect to start their own business,” according to the 2005 A Work-Filled Retirement survey. “Only 13% expect to stop working entirely.”<sup>6</sup>

## Has the current economic crisis contributed to an increase in new entrepreneurial activity among older workers?

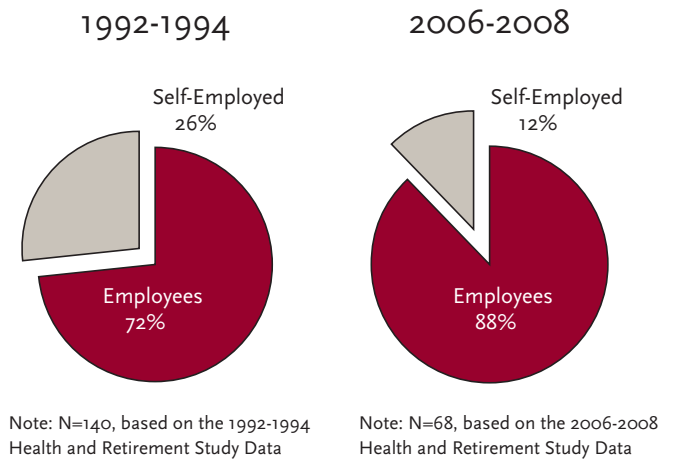
According to a 2009 survey, “of mature workers who were laid off in the last 12 months and did not find a job, 23% are considering starting their own business.”<sup>7</sup>

In a 2009 survey from the Kauffman Foundation, “80.3% of respondents stated that inability to find traditional employment was not at all a factor in starting their own businesses. Only 4.5% said this was an important factor.”<sup>8</sup>

A 2009 analysis of data from the Health and Retirement study shows that for workers unemployed in 1992, almost one-third of those who remained in the labor force were self-employed by 1994. For workers unemployed in 2006, shortly before the economic downturn, comparatively few remained in the labor force and among those who did, only 12% were self-employed two years later.<sup>9</sup>

According to a 2009 report from the Global Entrepreneurship Monitor, “with respect to the Early Stage Entrepreneurial Activity, the data indicate marked decreases in the activity rate for the 18-24 age group (10.5% vs. 14%) and the 35-44 age group (20.2% vs. 25.1%), but increases in the older age groups (45- 54 years, 27.7% vs. 21.8%; 55-64 years, 10.5% vs. 9.5%; 65-99 years, 4.3% vs. 3.4%). However, “Opportunity continues to be the main driver for entrepreneurs in the United States; 87% started their businesses due to an opportunity, opposed to 13% who started their businesses out of necessity.”<sup>10</sup>

Figure 2. Comparing Entrepreneurship among the Unemployed Before and After the Economic Downturn (Ages 51-61)



Source: McNamara, T. (2009). Unpublished data analysis. Chestnut Hill, Sloan Center on Aging and Work.

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