

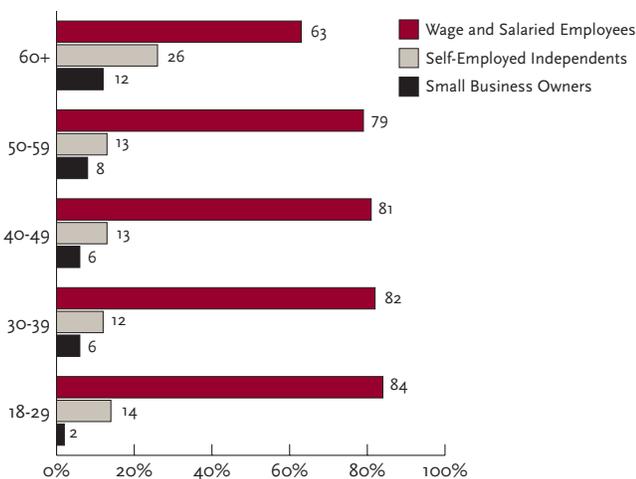
ENTREPRENEURSHIP AND THE OLDER WORKER

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.¹

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 Unpublished data analysis.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.

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%).²

“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.”³

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.”⁴

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

“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.”⁶

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

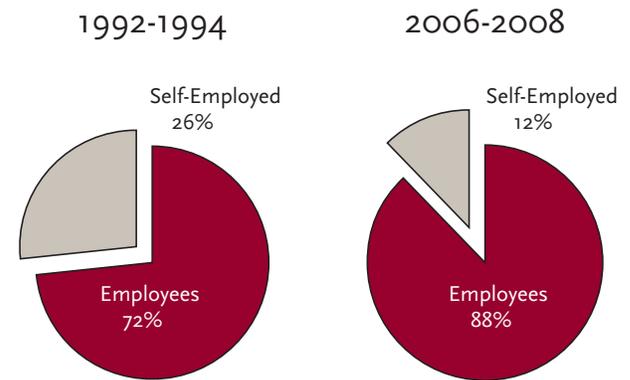
According to a 2009 survey, “of mature workers who were laid off in the last 12 months and did not find a job, 23% are considering starting their own business.”⁷

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.”⁸

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.⁹

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.”¹⁰

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



Note: N=140, based on the 1992-1994 Health and Retirement Study Data

Note: N=68, based on the 2006-2008 Health and Retirement Study Data

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 Unpublished data analysis.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

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