The new entrepreneurs
Would-be retirees can change the world
New demographics: senior citizens who are still young

Around the world, in countries large and small, developing and mature, a demographic revolution is underway. We’re getting older, and at an increasing pace, particularly in advanced economies. At the same time, retirees are healthier and better educated than in previous generations. Policymakers will have to adjust their approach in order to maximize the potential contributions of senior citizens to productivity and economic growth.

United Nations estimates suggest that the proportion of people aged 60 and above is expected to double between 2007 and 2050. The actual number aged above 60 will more than triple in this period to reach 2 billion by 2050. As a result, the median age of the world’s population is expected to increase to 36 years by 2050, up from 29.6 years in 2015, on United Nations Population Fund (UNPF) projections.

Several factors are driving this transformation. For example, people are living longer: UNPF data suggests life expectancies for adults have risen from just under 60 years between 1970–1975, to 70 years in the current period of 2010–2015. At the same time, fertility rates are declining, with women now having an average of 2.47 children in 2012, down from 4.70 in 1970—a trend that is constraining expansion in the labor force. Between 2005 and 2010, the world’s population aged 15-24 grew 3%, down from 20% growth in the period of 1965-1970.

These dynamics have unleashed worrying demographic strains on the economy and are creating increasingly pertinent social challenges. In particular, elderly dependency ratios, or the number of people aged 64 and above relative to one working-age person, are surging. This is expected to be at 14.2-to-1 globally in 2020, up from 9.4-to-1 in 1970, and 8.4-to-1 in 1950. An increasingly narrow base for employment leads to challenges for productivity and economic growth. Furthermore, retirees are facing lower incomes, driving quality of life concerns. The 2008 financial crisis had a significant impact on wealth for many would-be retirees, and is likely to result in lower interest rates and financial asset returns for some time yet. Indeed, OECD figures suggest median long-term interest rates in the major advanced economies came in at 2.4% in 2013, down from 3.9% in 2009.
Problems are especially acute in advanced economies. By 2035, Japan will have 69 retired senior citizens for every 100 of working age – up from 43 in 2010, on United Nations estimates. Germany is expected to have 66 for every 100, up from 38. And in the United States, the old-age dependency rate is expected to rise by more than 70% over the same period, to 44 retired senior citizens for every 100 of working age.

Cashing in on the senior citizens’ dividend

It is time to significantly adjust government policy on employment and enterprise for retirees, or those persons aged 60 and above, who are in the process of retiring or have recently exited employment. Keeping senior citizens in the labor force is an important way to stem the potential decline in productivity and sustain economic output. In particular, retaining would-be retirees through self-employment, or entrepreneurship, holds significant attraction for policymakers.

There are compelling economic and social reasons to reframe the expectations of seniors in the labor market. First, retirees are highly educated. OECD data suggests 23.8% of OECD area adults aged between 55 and 64 have completed tertiary education. Nearly 10% of these adults in OECD countries engage in training, which at a ratio of 0.57 to those employed persons age 25–54, is impressive. People are also healthier as they age and are enjoying increasing life expectancies. Consequently, an increasing cohort of relatively smart, healthy people hitting the upper bounds of the “working age” suggests prevailing retirement ages are increasingly premature. With their health, energy and ambitions still intact, why should they step into retirement when they have so much still to offer in their working lives?

At the same time, many have discovered that retirement may no longer be within reach, due to the recent performance in equity and other asset markets. And with the proportion of senior citizens to “working-age” adults rising dramatically, relying on pensions – both public and private – is increasingly tough. Labor market figures already hint that the cap on the “working age” is migrating higher. For example, in the United States, almost 20% of Americans aged 65 and above are in still the workforce. This is double the rate in the mid-1980s. Staying ahead of this trend, and shaping its outcomes, will be critical for policymakers.
The United States, United Kingdom and Japan offer some key examples of active labor market policy to support older workers in self-employment. These specific measures for seniors are in addition to policies designed to support small businesses and entrepreneurship more broadly.

For example, the United States Small Business Administration (SBA) has focus programs for “Encore Entrepreneurs,” or those over 50, who are looking to start a business once retired or as they near retirement. These consist of training programs, including online courses. Older workers also have access to other SBA resources, such as planning, counselling, grants, contracting and local assistance.

Policy in the UK also focuses on adult education, including a careers guidance portal, the National Careers Service, which offers specific courses and training for “older workers.” It also facilitates access to volunteering, coaching and mentoring networks.

Informal education opportunities are important. For example, the UK’s PRIME (Prince’s Initiative for Mature Enterprise) is an information and networking support for those aged 50 and above, who are looking to find their way back to work through self-employment. The primary focus for the initiative is the unemployed, though employed and retired people are also eligible.

In Japan, the Japan Finance Corporation for Small and Medium Enterprises administers loan programs that grant older persons access to credit. These are new business development loans, with a seven-year term and a maximum loan amount of ¥720 million (US$7,000).

Providing flexible pensions agreement to incentivize self-employment for retirees is the other side of the equation. For example, in the UK, the UK Finance Act (2004) amended regulations on pension drawdown and continued employment. This legislation enables flexible retirement arrangements for workplace pensions. In some cases, recipients can continue working while receiving pension income from employer-backed pension schemes.

In the United States, barriers to phased retirement from some private employer-provided pension plans have also become less prohibitive. In some cases, employees can reduce their number of hours, working for a reduced wage combined with distributions from a retirement plan. Some arrangements also allow access to employer benefits if employees continue to work beyond retirement age. This flexibility helps enable seniors to explore and establish self-employment opportunities, while at the same time offering important supplemental income.

For US public pensions, seniors can access all social security benefits, with no limits on earnings once they reach the full retirement age of 65. The availability of supplemental health and pension income to senior entrepreneurs encourages self-employment post retirement as it does not compromise access to a social safety net. For those seniors nearing the full retirement age who continue to work (age 62–65), benefits are currently subject to deductions.

Rich countries have become aware of the senior citizen dividend

An expanded agenda for entrepreneurship

Reframing the role of seniors in the labor force requires new ways of thinking about how to harness their accumulated work experience and education. At present, governments are mostly focused on delivering to senior citizens the financial entitlements that they were promised. However, there are other options. For instance, providing incentives for seniors to remain in their roles after retirement, including the deployment of more generous pension benefits for working retirees, is one strategy. Discouraging early retirement is another approach currently being pursued by many developed economy governments.

Harnessing this intellectual capital through entrepreneurship and management of small and medium enterprises is a necessary addition to policy discussions. In fact, older people are starting
Like all new business owners, older entrepreneurs need access to capital to grow and scale businesses. However, greater financial security and reduced credit risk mean a potentially different risk profile for these borrowers. For policymakers, it is important to consider that older borrowers have different backgrounds to younger lenders. Personal credit history and business credit risks are typically conflated for small businesses, with more information on older borrowers also enabling better-informed risk pricing on this basis. Higher levels of business experience among retirees, including experience in starting businesses, are also important. Research from the Kauffman institute suggests this could be an important factor in predicting business success.

Significant societal ageing underlines the need for new policy to engage, support and scale retiree entrepreneurship in the coming decades. There are four core areas where policy can drive substantive changes in this trend: funding, education, regulation and communications. Tailored support for retiree entrepreneurs, across each of these dimensions, will be critical.

### Supporting and scaling retiree entrepreneurship needs multidimensional support

![Diagram showing the four core areas of policy support](image)

#### Funding: credit history and own-wealth drive different risk profiles for older entrepreneurs

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Senior entrepreneurs may also be more financially secure than younger entrepreneurs. For example, these business founders are more likely to have no dependents or mortgage debt. Instead, they have accumulated wealth from a lifetime of work, which they can tap to drive business growth. Retirees may have an alternate source of income — either from retirement savings, a pension, or Social Security. Retirement funds also offer a new source of collateral in some cases. For example, in the United States, retirees can borrow against their 401k (self-funded pension) up to a certain threshold. Typically, this must be repaid within five years, with interest paid going back into the 401k. This added financial security can make the financial risks of starting a business less obtrusive for seniors.

There are several ways governments could work to support funding for retiree entrepreneurs. First, tailored credit products, which consider the lower risk structure of this cohort, are an option. This could include loan guarantees, trade finance, interest rate subsidies or loan quotas for lenders. Policymakers could also establish targeted grants for senior entrepreneurs. Second, policymakers could make financing available as part of an integrated mentorship program. Finally, governments should recognize that financing needs will likely cover a wide spectrum for retiree entrepreneurs and support should be designed accordingly. While some retiree entrepreneurs will need start-up funding, others with higher incomes and personal wealth may instead need “scale up” funds, and larger loans, with credit guarantees, could be more important.
For retirees, lifelong learning initiatives are critical to reskill and transition into self-employment or entrepreneurship. Policy needs to give vocational guidance to senior members of the labor force who are starting businesses. In particular, policy must support those with the need for technical capabilities and provide training to lifelong employees to think as owners and managers. Opportunities for retirees to upgrade their skills are also an important way to combat age discrimination and negative images of ageing.

This focus on continuous learning and skills development requires a shift in thinking on the work life cycle. Instead of retirement from organizational employment as a final step, it needs to be viewed as the start of a new cycle; as time to retrain or develop networks and then start afresh as a business owner. With this in mind, policymakers should focus on education in technology and entrepreneurship-specific skills, which cater to retirees with a long history of work experience. This means content should be in an appropriate format, likely more specific and less monitored, through formal assessments and the like, than for undergraduate youth. Policymakers can also use volunteering as another channel for older workers to retrain.

Opportunities for informal learning through mentoring and coaching are also crucial for start-ups and new business owners of all ages, including seniors. Providing access to virtual networks and mentoring tools for retiree entrepreneurs, or prospective entrepreneurs, is important and also provides the flexibility retirees desire.

Education: gearing up for the next phase of work through specific skills support

Policymakers can make self-employment and entrepreneurship more attractive to older workers through support for flexible work arrangements. Full-time employment or organizational employment is not typically desired in this cohort. Policy should instead focus on making self-employment more attractive and accessible.

There are several ways to achieve this. First, regulators could make start-up support part of “phased retirement” schemes, such as those in the UK and EU. Second, policymakers could remove any financial disincentives for newfound self-employment in retirement. For example, in some markets, this could mean ensuring retired senior citizens are unconditionally eligible for government-backed health benefits and pension support, and can access their employer-sponsored pension benefits, even as they continue to work in a self-employed capacity post the official retirement age. Third, regulation to support cross-collaboration between old and young entrepreneurs, including tailored hiring, subsidies and tax benefits, could help to make this route more attractive and support the necessary mix of skills and funding for both old and young groups. Finally, governments could explicitly support procurement opportunities for senior entrepreneurs.

Regulation: drive work-life flexibility for retirees through regulation to support entrepreneurship

Policy needs to change the discourse on senior citizens in the workforce. This is important to promote a realistic portrait of older workers’ skills and abilities, by correcting existing stereotypes. In particular, this means moving the dialogue away from health and social security, focusing instead on retirees as productive and entrepreneurial members of the labor force.

To put this into practice, governments can run public campaigns focused on seniors and “productive ageing,” promoting the benefits of entrepreneurship to retirees and to the broader public, including youth. Execution of roundtables with retirees on their expectations for their work and life could also drive discourse and campaigns. Furthermore, the financial sector and business should be brought to the table in these discussions to strengthen engagement on the issue.
That people are living longer is a great humanitarian achievement, but one that comes with a price. Living longer means a rapidly increasing number of people will have a retirement that lasts as long as their careers. To prosper in this environment and drive sustainable economic growth, policymakers need to rethink what might be long-held judgments about retirees and their value to their country’s economy. A new mindset offers new opportunity, particularly in advanced economies.

To do this, policymakers need to recognize the potential that senior citizens continue to possess. Increasingly, these are people with not only sources of financial wealth but also the drive and the determination to create and sustain new businesses, regardless of their advancing years. Their increasing availability to work can also help offset skills shortages in some markets and, in this way, be arguably more of an asset than a large, young, but less productive, population in some emerging markets.

Policymakers need to provide programs specifically for seniors, to fully leverage their capabilities and capacity for change. This includes specific training and support, including technology and management skills that are presented in an appropriate format. Access to appropriate capital is also particularly critical to scaling up retiree entrepreneurship. Credit products that address the specific needs of retirees need to be introduced. Further, these could potentially provide more funding that would otherwise be available, if standard risk models were applied. Regulatory measures sensitive to this demographic are also key to driving retirees’ participation and success.

The demographic revolution currently rippling across borders is one that will only gather pace in the years ahead. As people live longer, healthier lives, their working ambitions and energies will be sustained far longer than those of previous generations. Ours is a world in need of an injection of sustainable growth – senior citizens are ready, and increasingly willing, to play a vital part.
The new entrepreneurs

EY’s worldwide Strategic Growth Markets (SGM) Network has more than 30 years of experience in addressing the business needs of entrepreneurs across the globe. Whether working with international mid-cap companies or early-stage venture-backed businesses, our experts draw upon their extensive experience, insights and global resources to help businesses succeed.

To assist the governments who are increasingly turning to entrepreneurs for job creation and economic growth, EY has created a framework to help governments promote entrepreneurship. The framework is designed to encourage entrepreneurial activity in organizations of all sizes along with attracting domestic and international investment.

Service offerings

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<th>Strategic advisory on entrepreneurship policy</th>
<th>Assisting entrepreneurs gain access to funding</th>
<th>ICT enablement and digital transformation</th>
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<td>EY’s GPS and SGM teams can assist government administrations in formulating and executing effective policies, regulation and incentives to grow entrepreneurship. EY helps governments to develop a start-up ecosystem in their country. Services include SWOT analysis of the current ecosystem; economic benefit analysis; project planning and implementation.</td>
<td>EY works with governments to identify the gaps in access to finance for entrepreneurs and helps frame policies to enhance the accessibility to finance. Further, EY’s Global Incentives Advisory practice supports companies to gain access to government funding.</td>
<td>EY enables SMEs enhance their competitiveness through application of ICT tools and digital transformation. The use of emerging technologies of social, cloud, mobile, in-memory and analytics enables SMEs to be more efficient and cost effective.</td>
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<th>Assisting businesses to raise capital</th>
<th>Skill development services</th>
<th>Business climate reforms</th>
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<td>EY experts help clients raise sufficient capital in a cost- and tax-efficient way. IPO, capital markets, private placement, private equity and bank funding are some of the ways EY helps clients raise capital.</td>
<td>EY helps governments develop policies and frameworks to enhance skill development among the population, supports industry-academia collaboration, and implements market-based skills development modules and a robust monitoring and evaluation system.</td>
<td>EY assists the public sector clients in strengthening their policy and regulatory framework to ease the processes necessary to establish a business and developing a robust institutional strengthening and capacity-building road map.</td>
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