





Third Age Entrepreneurs-  
Profiting from experience

**BARCLAYS**



# Foreword

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### Foreword by Baroness Greengross OBE

“It is always a pleasure to welcome positive research about Britain’s older population. Too often the images about older people can be negative and stereotypical. But this research from Barclays about Britain’s older entrepreneurs shows that, as we begin the 21st century, the future doesn’t necessarily just lie with the dot.coms run by 20-something year olds. New businesses run by the over 50s are growing in both number and their economic impact, and will continue to grow with the ageing of our society.

In 2000, the Government published a report called *Winning the Generation Game*, which looked at the challenges of our ageing society and improving opportunities for people aged between 50 and 64 in work and community activity. We have also recently seen the start of a new initiative to encourage older volunteers - the Experience Corps - which I am proud to be involved in.

The Government report also looked at barriers to paid work for older people. But what this research from Barclays shows is that it is not only work as employees that older people seek but the opportunities offered by self-employment, through running one’s own business. And, importantly, this is not something that just comes to an end at an artificial state retirement age. Many older entrepreneurs will be over 65.

As this century progresses and our society ages markedly, I think we will see older entrepreneurs as an important force in developing new business opportunities. This research from Barclays is therefore an innovative new angle on the implications of longevity and ageing which our society - including Business and Government - is only just beginning to recognise.”

### Baroness Greengross OBE

Chair, The Experience Corps

Chair, International Longevity Centre UK

July 2001

# Introduction

“Entrepreneurs aged over 50 now account for an estimated 15% of all start-ups in England and Wales– a 50% increase over the past ten years. It is a trend that is likely to continue, as the proportion of over 50s in the UK population rises. As a result, this group, described in this report as third age entrepreneurs, are an expanding business sector.

Barclays commissioned the research described in this review to understand more fully the aspirations and needs of the over 50s starting in business and to understand how these differ from people who are currently over 50 but who started a business when under 50.

Nearly 35% of third agers starting a business did so because they had been made redundant, retired or were dissatisfied with their existing job. The research shows that third age entrepreneurs have a significantly different approach to those under 50 when starting a business. Despite working hard, other factors over and above money appear to be key motivators, such as the wish to turn a hobby into something that will make money.

Interestingly, third age business owners appear to own and use computers more in their business than their counterparts who started in business when under 50.

Banks, Government and business support organisations need to be aware of the growing importance of this group to the economy. There is a need to find ways of meeting the expectations of people who, because of their wider experience, often demonstrate a more detailed approach to planning and launching their businesses.”

**Mike Rogers**

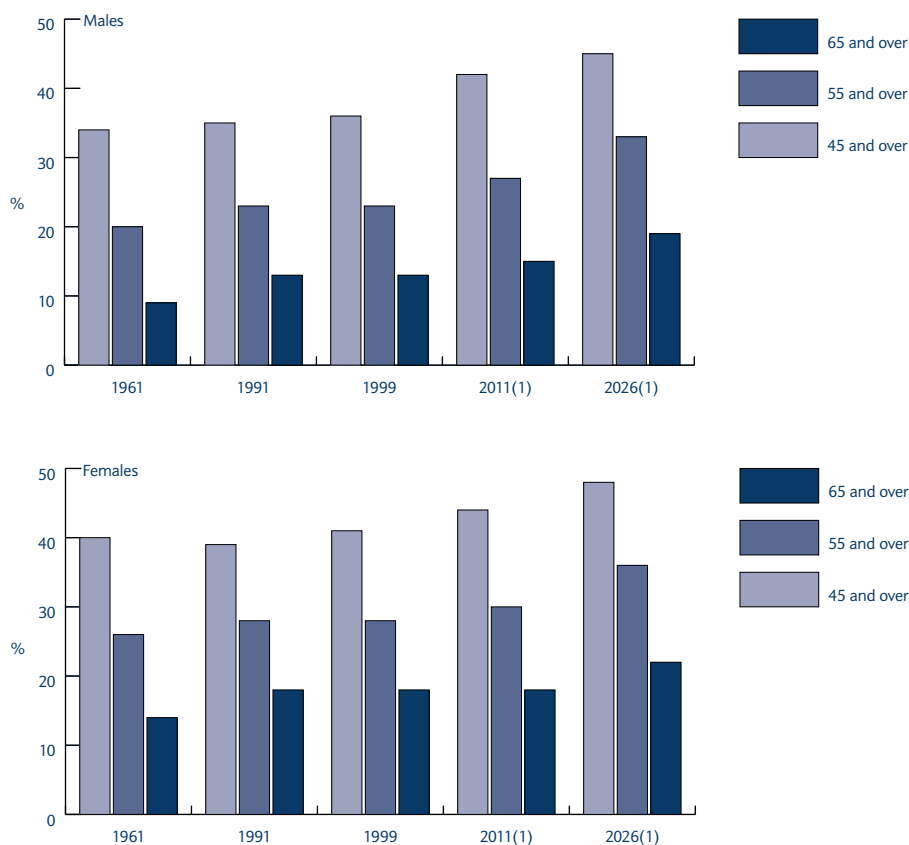
Managing Director, Small Business, Start-ups and Direct, Barclays

# An expanding business sector

As the UK's population ages, so too does the ownership profile of small businesses. In fact, we estimate that 15% of all new businesses are now started by people aged over 50.

There are several reasons for believing that this trend is likely to continue.

For a start, the proportion of older people in the UK population is increasing. Currently 23% of men and 28% of women are aged over 55. These proportions are forecast to rise to 33% for men and 36% for women over the next 25 years.



**Chart 1 - Long term UK population age trend - percentage of total population for that gender.**

Source: National Statistics, Social Trends  
(1) 1998-based projections

At the same time, advances in health care and changing attitudes to growing older mean that people have higher expectations about the quality of their life when over 50. Some in the older age group have accumulated sufficient wealth to stop work; others need or want to supplement their pension provision to ensure enjoyment.

# What characterises third age businesses

Those over 50 who start businesses are almost three times more likely to be men (74%) than women (26%). The split for businesses started by those under 50 is 57% started by men and 43% by women.

Around half of over 50s starting businesses do so in an area of work similar to that they were in previously (51%), and 49% come from professional jobs such as management and teaching. This is significantly different to start-ups by the under 50s when starting in business, where over half (51%) previously worked in manual, clerical or secretarial jobs. Only a quarter (26%) of third age entrepreneurs did so. The other area of difference is that 6% of those under 50 when starting in business were unemployed in the preceding period compared with just 3% for the over 50s.

Irrespective of age, the majority of those starting a business are doing so for the first time having previously been an employee (73% under 50s, 67% over 50s). Of the 32% of third age entrepreneurs who have previously run their own businesses, half have run one, a little over 40% two to five businesses, and 7% six or more businesses.

Those aged over 50 when starting in business are more likely to own and use a computer in their business than their counterparts who started a business when under 50 - 63% compared with just 47%. There are a range of possible reasons for this.

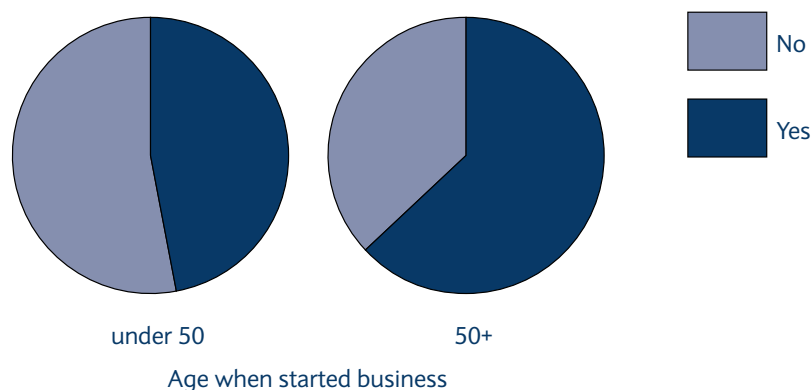


Chart 2 - Own and use a computer in the business - % within age grouping.

Certainly, the use of computers is more likely in businesses such as property, finance and professional services, and more of these types of business are started by third age entrepreneurs. However, a comparison of older and younger entrepreneurs in these sectors still reveals greater use of computers by third age business owners.

Owners of new businesses that have come from management jobs are more likely to be computer literate. Over 71% of this group responded positively to the question - 'do you own and use a computer in your business?'. There is also evidence to suggest that third age business owners are more likely to have invested time and effort in undertaking research and detailed planning before launching their business, and these are likely to have involved the use of a computer.

Third age entrepreneurs appear to be making a positive decision to use a computer, giving them the benefits of greater working independence and convenience. For example, a quarter of those using a computer also use Internet banking services.

Once the business is up and running there are slight differences in the way the two groups of entrepreneurs use computers. The over 50s are heavy users of computers for word processing, record keeping and accounts, but are slightly less likely than their under 50 counterparts to use computers for email or access to the internet. But, at the same time, the third age entrepreneurs say they are more confident about using new technology. Over half (57%) say they are very or fairly confident, compared with just 41% of younger entrepreneurs.

# Why older people start businesses

Redundancy emerges as the main reason for starting in business for 17% of third age business owners (see chart 3), followed by the wish to make more money (16%), retirement (11%) and the freedom to be their own boss (11%). Developing a hobby into something that makes money or for enjoyment and fun, was the motivation for 10%.

	Age when started business	
	Under 50	50+
Made redundant	10%	17%
To make (more) money	20%	16%
Freedom to be own boss	16%	11%
Retired from previous job	3%	11%
Develop a hobby into something that will make money	4%	7%
Job satisfaction/dissatisfaction with previous job	4%	6%
New challenge	6%	4%
Supplement pension	0%	4%
Enjoyment and fun	4%	3%
Saw an Opportunity	1%	3%
Realise an ambition	3%	2%
Unemployed	1%	2%
Time on hands	0%	2%
Business passed on through family	11%	2%
Experience in particular field	4%	2%
Could not find a job due to age discrimination	0%	1%

**Chart 3 - Main reason for starting up this business - % within age grouping.**

Though important, the desire to make money or to enjoy greater freedom are not so strong amongst third age business owners as for entrepreneurs who started in business when under 50. Also, those over 50 when starting in business are less likely to take over a family business.

Owners of third age businesses differ, too, in their plans for the future, with four out of ten of the over 50s saying they will close the business down when they retire, compared with just 22% of entrepreneurs who started in business when under 50 (see Chart 4). One possible reason for this difference is that third age businesses are less likely to be a full-time occupation so their owners may see them as less marketable. This is supported by the finding that businesses that provide their owner with only part-time employment are those most likely to be closed when the owner retires.

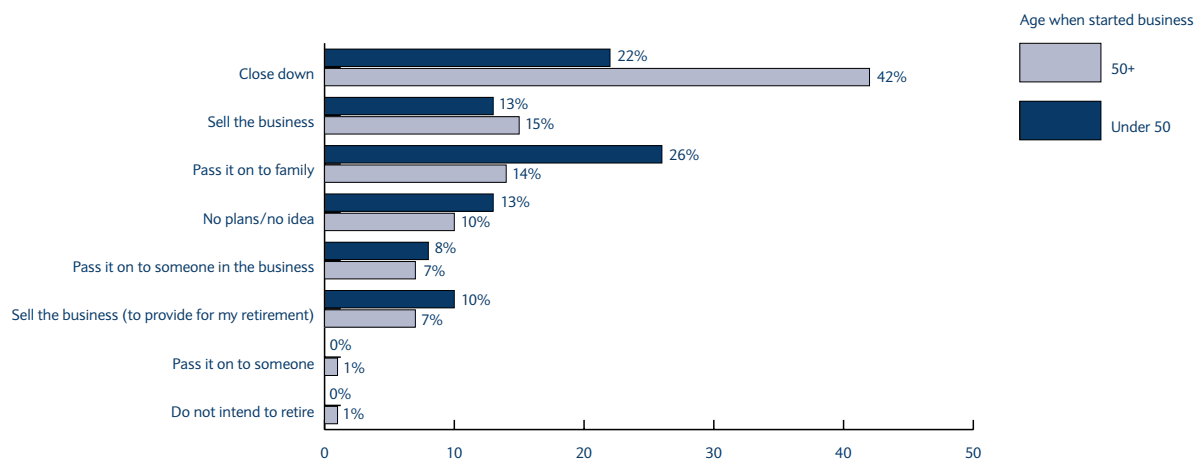


Chart 4 - Plans for business when retire - % within age grouping.

As to retirement, 41% of the third age entrepreneurs say it will be between 65 and 80, compared with just 24% for those under 50 when starting in business. (Chart 5) However, over a quarter of those who were over 50 when they started in business have no idea when they will stop running the business (28%).

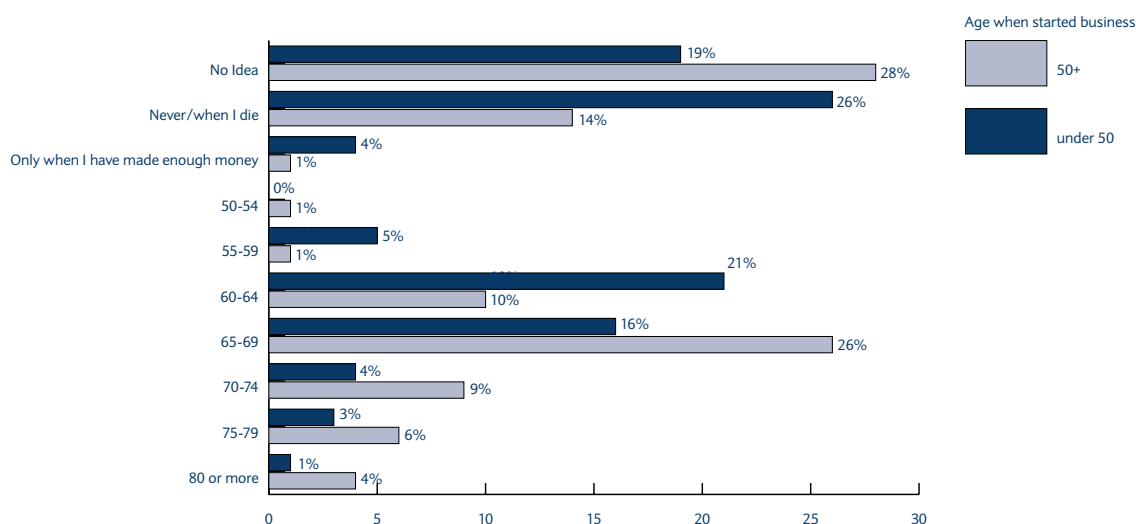


Chart 5 - Age when hope to stop - % within age grouping.

Reassurance for budding third age entrepreneurs comes with the finding that no less than 95% of those interviewed say that they do not regret their decision to start a business. Just 5% said they had regrets. In addition, 60% of third age business owners feel that running a business is better suited to older, more experienced people.

# How third age businesses differ

Third age owners are much more likely to view their business as a part-time occupation than are owners who started their business when under 50 (see Chart 6). Just 27% rely on the business as their household's only source of income, compared with 52% of younger entrepreneurs. This could be expected as older entrepreneurs are more likely to have an additional source of income and are more likely to want to make leisure a priority. For the third age owners the most important role for the business is to supplement a pension (51%).

Are you running this business...	Age when started business	
	Under 50	50+
To supplement a pension	17%	51%
As you or your households only source of income	52%	27%
For joint income with another household's member	15%	13%
To supplement other paid work you do	4%	5%
To supplement income of household's main wage earner	8%	5%
As a hobby/fun	4%	4%
For other reasons	1%	1%

Chart 6 - Importance of business as a source of owners income - % within age grouping.

The average turnover of £70,000 per annum for businesses owned by third agers is lower than for other small businesses. About seven out of ten business run by third agers having a turnover less than £50,000. In comparison, there is a marked difference between the averages for businesses run by men and women - over 50 males average £77,000, female owners £50,000. In comparison, businesses started when the owner was under 50 have an average turnover of £104,000. These findings are consistent with others that show that third age businesses have had less time to grow because they are younger, that the owner's main motivation is less likely to be making money and that they employ fewer people.

There is also a difference between the sectors in which these businesses operate. The largest proportion (34%) of businesses started by third age owners are in property, finance and professional services. There are fewer third agers in the retail sector - 10% compared to 19% of under 50s when starting in business. This suggests that older entrepreneurs choose sectors where there are more opportunities to balance work and leisure, rather than be tied to a shop counter all day.

Third age businesses are more likely to be better prepared at start-up than their younger counterparts (see Chart 7), with more of them spending time preparing a budget, business plan and cash flow forecast, as well as researching the market, pricing and competitors. They also appear to use more of their own resources to fund their start up, such as savings, redundancy money, a pension lump sum, proceeds from the sale of a previous business or a property. These sources account for 75% of start up finances for third age businesses, compared with 66% for other businesses. As a result, business owners over 50 are less likely to use a bank or building society loan to finance their start up.

	Age when started business	
	Under 50	50+
Prepare a budget	29%	45%
Research the price	23%	45%
Prepare a business plan	26%	43%
Prepare a cash-flow forecast	29%	41%
Research competitors	23%	37%
Research the market for the product or service	25%	34%
None of these	50%	31%

**Chart 7 - Start-up preparation - % within age grouping.**

Both third age and younger business owners believe that more mature business owners have the advantage of more experience and a legacy of training (see Chart 8), when starting in business. Third age business owners are also seen as wiser and more practical. Business owners under 50 when starting a business also see their older counterparts as better off financially – a perception not so strongly shared by third age entrepreneurs themselves.

What advantages do more mature business owners have?	Age when started business	
	Under 50	50+
More experienced/better trained	68%	73%
Wiser	7%	9%
More practical/worldly wise	5%	7%
More trustworthy	3%	4%
More professional	1%	4%
More/better contacts	3%	3%
Work harder/more commitment	1%	3%
Patience	1%	3%
Better organized	1%	3%
Taken more seriously	0%	3%
Financially better off	7%	2%
Calmer/relaxed	3%	2%
Maturity	1%	2%
Stability	1%	2%
More determined to succeed	0%	2%
Other peoples skills	0%	2%
No advantages	14%	5%

**Chart 8 - What advantages do more mature business owners have? - % within age grouping.**

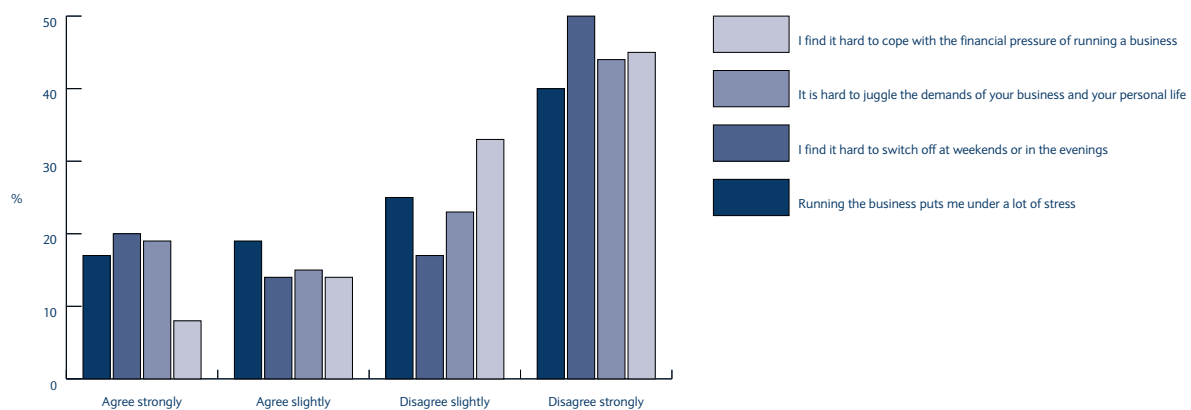
Both sets of entrepreneurs believe greater experience and better training are an advantage for mature entrepreneurs.

Attitudes to training appear to be roughly similar between the two groups of owners – 71% of those under 50 and 65% of over 50s have not undertaken any training when starting or running their business. Though third age entrepreneurs are more likely to take a general management course than other owners. The main reason given for not undertaking training by both groups is that they are already sufficiently qualified, trained or experienced, with the fact that training is not necessary for their type of business also given by around a quarter of owners (25% of third age business owners and 21% of under 50 business owners.)

# Balancing work and leisure

Despite the fact that third age business owners appear to care less about earning large sums of money from their business, 49% still work an average of 36 hours or more a week – only slightly less than the 57% of younger business owners who put in similar hours.

They may be putting in the hours, but there are few signs that the over 50s when starting in business are finding it stressful (see Chart 9 combined). 65% feel the business does not put them under a lot of stress, 67% do not have any difficulty switching off at the weekends or in the evenings, 78% do not find it hard to cope with the financial pressure, and 67% are happy juggling the demands of their business and personal life.



**Chart 9 - The pressure of running a small business**

In addition, more manage to take longer holidays than those under 50 when they started in business. Only 28% of over 50s take no holiday or less than two weeks a year, compared with 40% of owners aged under 50. Nearly half of third age business owners take 2-4 weeks a year.

What appears to be emerging is a picture of a breed of owner who works hard but does not see the business as a dominant part of their life. More importantly, the majority of third age business owners clearly seem to be enjoying what they are doing.

# Looking to the future

Population forecasts show that third age businesses are likely to make up a growing proportion of business start-ups. Exactly how quickly this emerging business sector expands will depend not only on UK demographics, but also on trends relating to the employment of those in their late 40s and 50s, particularly in respect of early retirement.

The evidence of the last 10 years suggests that we will see a significant increase. Between 1990 and 2000 the proportion of business start-ups by those aged over 50 jumped from around 10% to 15%. The expectation is that this trend will continue.

The Government has seen the need to focus on the requirements of those aged over 50 when starting in business with the launch of New Deal 50-plus in April 2000. This scheme includes financial and other forms of support for those thinking of self-employment. In addition, the newly formed Small Business Service offers wide ranging support for those of any age starting a business through its Business Link network.

This survey reveals that it is clearly important for such initiatives to have an understanding of the different needs of over-50 entrepreneurs.

The ability of third age entrepreneurs to sustain an independent source of income through business enterprise could become vital as the State grapples with the increasing demand on resources from an ageing population.

## Useful websites

The following websites may be of interest:

Small Business Service	<a href="http://www.sbs.gov.uk">www.sbs.gov.uk</a>
Business Link	<a href="http://www.businesslink.org">www.businesslink.org</a>
Barclays	<a href="http://www.smallbusiness.barclays.co.uk">www.smallbusiness.barclays.co.uk</a>

## Sources of Research

\* Research undertaken by Continental Research on behalf of Barclays between 2nd-12th April 2001 amongst a nationally representative sample of 473 small businesses with a turnover of less than a £1million. Telephone interviews with business owners who are all currently over the age of 50. Out of that 473, 400 interviews were with those aged 50 plus when they set up in business and 73 with those now over 50 but under 50 when established the businesses.

