

TOWARDS A 50+ ENTERPRISE CULTURE

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What is PRIME?

PRIME is the only national organisation which recognises the importance of self-employment to those aged 50+ and is dedicated to helping people aged over 50 to set up in business. PRIME is a not-for-profit company committed to improving the opportunities for all those over the age of 50 to consider self-employment and enterprise.

PRIME was established with the active support of His Royal Highness The Prince of Wales.

PRIME's mission is

to ensure everyone aged 50+ has the opportunity for self-fulfilment through sustainable self-employment and enterprise.

PRIME's strategic aims are

1. To create a **PRIME campaign** that:
 - raises awareness amongst the 50+ age group of the self-employment and enterprise options, and sign-posts help and support
 - improves the opportunities for 50+ self-employment and enterprise nationally, regionally and locally
2. To develop a **PRIME partnership** that:
 - ensures everyone 50+ has access to appropriate and continuing high quality self-employment and enterprise support
 - is developing and improving practice to meet the evolving needs of those aged 50+
3. To generate a **PRIME understanding** that:
 - focuses research on 50+ self-employment and enterprise
 - explores and disseminates best practice and new ideas

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Introduction

The focus of labour market research and statistics does not always extend to the 50+ age group as a sub-sector of the labour force. It rarely encompasses the aspirations of the millions of individuals in the 50+ age group who have dreams to fulfil, skills and expertise to deploy for the benefit of the community, or the need to find an income that will prevent them from spending the final third of their lives in poverty.

This report looks only at England because that is PRIME's current focus. PRIME's sister organisation, PRIME-Cymru, operates in Wales. PRIME looks forward to extending its operation into Scotland and Northern Ireland in the future. The report demonstrates that over one-third of the 50-64 age group is not earning from being an employee or from self-employment¹. Previous Office for National Statistics (ONS) reports have shown that those aged around 50 who are made redundant have a one in ten chance of becoming an employee again. A continued search for a job, therefore, does not appear to offer a solution for more than a few.

What of self-employment? The data offer some grounds for optimism. Eleven per cent of the 50-64 age group are self-employed and running their own businesses. However we know from the Global Entrepreneurship Monitor that the UK, in terms of being an entrepreneurial society, is just a mediocre player. On the other hand it is difficult to conceive that people in the UK are so different that they will always be less entrepreneurial than people in other countries.

A far more plausible explanation for the UK's performance in the international league is that we have yet to create the entrepreneurial culture or the business support framework that sets the UK on a par with the most enterprising countries. This is not to belittle the work that can be seen and experienced in agencies of enterprise across the country. An enterprise culture and our business support structures are evolving but need to be developed further and faster if we are to be higher up the international league for entrepreneurship.

There are issues to be addressed:

- What exactly does the 50+ labour force look like? Can we dig a little deeper than broad headlines to understand better what is really happening?
- How do we develop or put in place the culture and business support structures that will enable us to help many more people in this age group start their businesses?
- And underlying everything, can society carry the social, health, welfare and financial implications of having one-third of the population aged 50-64 population earning no income from self-employment or employment?

The sheer volume of people aged over 50 not in self-employment or employment must be of deep concern to everyone. This report, therefore, describes the steps that need to be taken if we are to create a vibrant business support environment for an entrepreneurial 50+.

¹ In this report the terms "employment" refer exclusively to those who are employees. This is to emphasise the distinction between self-employment (the focus of PRIME's work) and being an employee. Defining employed as including both self-employed and working as an employee may be appropriate for some purposes but PRIME contends that, in the current 50+ economic context, this can conceal the importance of self-employment in the labour market and hide opportunities for the 50+ age group.

Section 1. Interpreting the data

The data which support this report are based on the Labour Force Survey of Spring 2003 provided by the Office for National Statistics (ONS) and allow comparison between regions. The data are tabulated in Section 5 and notes on the data are to be found in the Appendices 1 and 2.

1.1 Regional differences

The data in Table 1b (Section 5 below) suggest there are just over 3 million people in England aged 50-64 who are neither in employment nor in self-employment. This amounts to 35 per cent of the age group - well over one-third. In the regions this group, who are not employees or earning from self-employment, ranges from 30 per cent in the South-East to 46 per cent in the North-East. Another way of looking at this is that there is a 50 per cent greater chance of not being employed in the North-East than in the South-East if you are aged 50-64. This represents a considerable spread of difference between regions (see Fig 1).

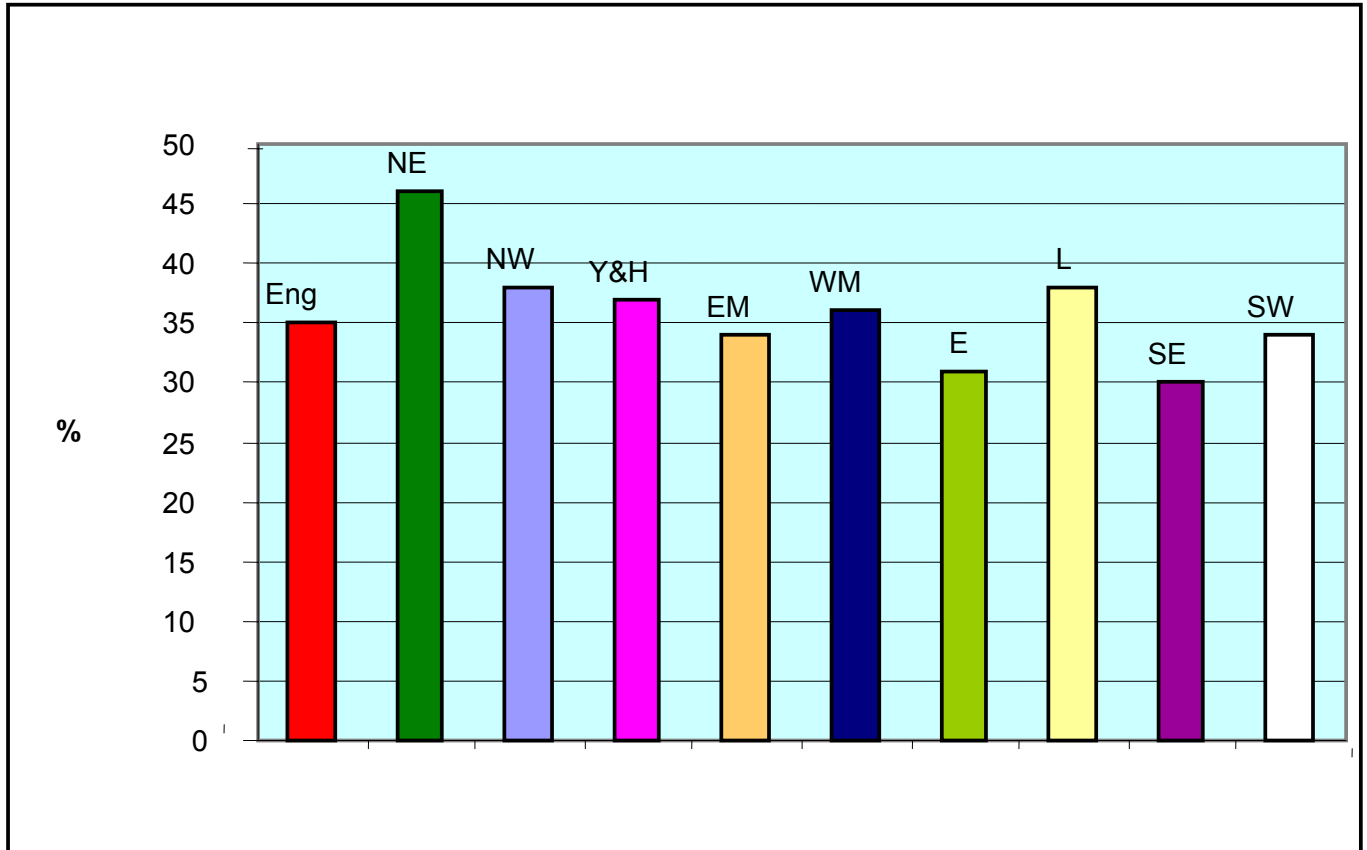


Figure 1: Percentage of 50-64 year olds not in self-employment or employment in English regions Spring 2003

An examination of Table 1b (Section 5 below) highlights more regional differences. For example the 50-64 age group in the South-West and South-East seems to be twice as

entrepreneurial as the North-East, and 40 per cent more entrepreneurial than those in the West Midlands or Yorkshire and the Humber. Londoners aged 50-64 are twice as likely to register for Job Seekers' Allowance as those in most of the other regions. Interestingly there is a bigger percentage of this age group in the North-East stating that they would like to work than anywhere else.

There is a small but significant number of people aged 50+ who are unpaid family workers. In the East of England one person in three hundred aged 50-64 is an unpaid family worker. It might be that these unpaid workers are based on family farms. However the East contrasts with the South-West which is similarly rural, but where the figure is one in nine hundred.

1.2 Retirement

It would be tempting to assume that many of those aged 50-64 who are not working were retired and financially well provided for. However, "Winning the Generation Game" (Cabinet Office, April 2000), which uses all available data at its disposal, demonstrates that only a small proportion of this age group (estimated at between 8 and 12 per cent) have the kind of pension that affords them a comfortable retirement. Another survey ("Factors affecting the labour market participation of older workers" DWP Research Report 200, November 2003) put the proportion "retired" as 22 per cent of those not in employment, self-employment or seeking work.

The issue is where the line is drawn between a comfortable retirement and someone just managing to cope by adjusting to financial circumstances. In fact only about 40 per cent of the population are likely to have an occupational pension or financial arrangement to supplement the state pension. The majority of financial arrangements are designed to enable the recipient to retire between sixty and sixty-five. The once common option of early retirement with enhanced pension is becoming extremely rare. In the present economic climate, taking retirement benefits early, for those fortunate enough to have them, will generally have the effect of significantly reducing annual income. The Institute for Fiscal Studies (www.ifs.org.uk) in its report "Health, wealth and lifestyles of the older population in England: the 2002 English longitudinal study of ageing" published December 2003, noted that a quarter of the population over 50, particularly single men and women, have financial assets worth less than £1,500 while half have less than £12,000. It also observed that there is a strong correlation between economic inactivity and poor health, and those in poor health are less likely to engage in social activities.

1.3 Gender

The data used here has not been collated by gender because this would increase the margins of error in the statistics and reduce considerably the confidence that could be placed in the tables. PRIME has also included women aged between 60 and 64. This group is usually omitted from statistics as the State Pension Age (SPA) is 60 for women but 65 for men. The SPA for women, however, is due to be raised, so it would be disingenuous to omit women aged 59-64. The Department for Work and Pensions (DWP), in their Pensioners' Income series for 2001/02 (www.dwp.gov.uk/asd/asd6/PI_series_0102.pdf) note that the average occupational pension for a single man in 2001-02 was £63 whereas for a woman it was £36.

Age Concern and the Fawcett Society in May 2003 analysed data from the Women and Equalities Unit to show that in pensioner couples women get 32p of income for every £1 men receive (www.fawcettsociety.org.uk/pdfs/PR-WomenPensionsMay2003.pdf). More research is needed, but it cannot be assumed that women aged 59-64 who have left paid work prior to reaching their sixtieth birthday are able to live in financial comfort and security. To leave this significant group out of the equation does them a disservice and blinds society to groups of women that may be living in poverty.

1.4 Incapacity Benefits

Many of the economically inactive will be drawing Incapacity Benefits. Government estimates in the “Pathways to Work” Green Paper (Cm 5690 November 2002) suggest that there are some 1.3 million people aged 50+ drawing this benefit across the UK. This accounts for about a third of those aged 50 – 64 who are not in self-employment or paid work in the UK. The numbers on JSA are known. It is therefore apparent that the numbers on Incapacity Benefits plus the numbers on JSA do not equal the numbers of workless. Some of those not in work, but by no means all, will be the partners of those earning; some will be caring for sick or disabled relatives; some will be genuinely retired or have savings above the thresholds for benefits. Not enough is known about the numbers of people in each category and more work is needed. It is important that those in poverty are identified because they are more likely to be the sick, the mentally ill and the socially excluded. Failure to identify those in poverty now, will lead to a far heavier burden on welfare systems in the future as this group ages.

The number stating they would not like to work (see Section 5 Tables 1a and 1b) must be treated with caution. Over 25 per cent of those aged between 50 and 64 indicated that they did not want to work. However, in 1999 the ONS, in Social Focus on Older People, pointed out that only 1 person in 10 made redundant at 45+ would ever return to a job. Anecdotal evidence suggests that many people give up after a fruitless struggle to find employment. In documenting this, Age Concern cites an October 2002 survey by campaigners “Fiftyon” in which almost 20 per cent of respondents reported that they had been rejected from job applications over 80 times on the grounds that they were either too old or too experienced. In these circumstances it is far easier for someone to announce that they are retired than to have their self-esteem undermined by reporting on continual rejections.

Having found it difficult to re-enter the labour market, many over 50’s create a means of surviving, often reliant on welfare payments such as Incapacity Benefit. One very real concern this group has is that if they re-enter the labour market and things do not work out, there will be problems getting back onto benefits. In effect there is a concern that a failed attempt to get back into self-employment or employment will leave them even worse off than they are now.

Work by Sheffield Hallam University (Beatty & Fothergill “Labour Market Detachment among Older Men” November 1999, Beatty, Fothergill, Gore & Green “The Real Level of Unemployment 2002” October 2002) has demonstrated that about three-quarters of those on Incapacity Benefits would actually like to work, though not necessarily in the same occupation as they were engaged in before. Clearly these findings are not consistent with the numbers in the ONS data stating that they do not want to work. Research cited in Labour Market Trends October 2003, “Life stages of economic activity” by Catherine Barham, shows that in the USA

the largest annual flow into employment comes from those who previously reported themselves as economically inactive i.e. not seeking or wanting a job. The same article suggests that data from the LFS longitudinal survey shows that around 30 per cent of those moving into employment reported themselves as economically inactive in the previous quarter. The ONS appear to have recognised that the question about whether an individual would like to work or not needs considerable revision, possibly to a question asking if there are plans to re-enter the labour force in the future.

1.5 Caring responsibilities

Many of those saying they would not like to work will have caring responsibilities. Census data from 2001 demonstrates that over 15 per cent of men and around 20 per cent of women aged 50-64 undertake significant caring activities, with around 5 per cent of men and around 8 per cent of women undertaking caring for over 20 hours per week. Caring is an activity that, sadly, can end suddenly and this can affect an individual's plans in respect of re-entering the labour market. However, a long absence from the labour market makes successful re-entry even more difficult.

1.6 Re-interpreting intentions

These considerations put a very different gloss on the question of whether a person wants a job or not, and serve as a reminder that many of those aged 50+ stating that they do not want to work might actually be conveying a message about their situation rather than their wishes or intentions. This is patently an area where more research is urgently needed.

1.7 Demographic increase

The data in this report represents a snap-shot in time. However demographic data shows that the post second world war birth boom of the 50s and 60s is only now becoming the 50+ generation (see Huber & Skidmore "The New Old: Why the baby boomers won't be pensioned off" Demos 2003). The number of people aged 50+ will increase, as will the number of people aged 50+ who are not economically active unless there is a major shift in the labour market. There is some evidence from recent government statistics that more people aged 50+ are becoming economically active, with the increase in full-time self-employed for the 50-SPA age group between June and August 2003 at just under 50,000 being the most significant. This increase will have to be sustained and growing if it is to match the demographic increase in the number of people aged 50 and above.

1.8 Age comparisons in self-employment

Figure 2 (below) demonstrates that the 50-59 age-group makes a very significant contribution to self-employment in England. In fact taking the numbers of self-employed in the age groups 30 - 69, just under 50 per cent of the total number is found in the 50 - 69 age group and just over 50 per cent is found in the younger 35 - 49 age group. While some might want to argue that this demonstrates that there is no need for programmes to assist older workers into self-employment, the UK's position in the international league table of entrepreneurship (see Table 4 below) is a salutary reminder that the UK may not be making the best economic use of its

people, especially amongst the 50+ age group where so many are not engaged in direct economic activity.

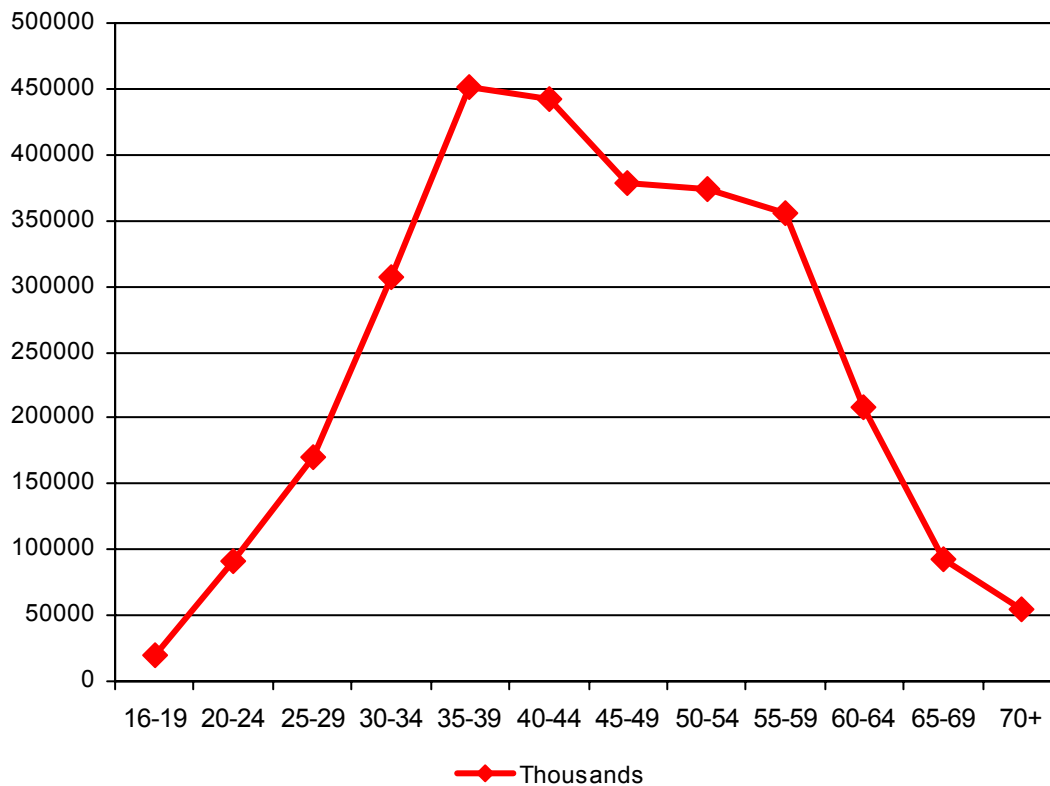


Fig 2: Self-employment in England across different age cohorts. LFS Spring 2003

1.9 Conclusion

The question is, therefore, whether all those aged 50+ who have entrepreneurial ability and capacity are being given the opportunity and the support to become self-employed. International comparisons suggest the UK is not as able to create entrepreneurs as other countries. A comparison of regions within England (see Section 5 Tables 1a, 1b, 2 and 3) suggests there are big differences across the country in the percentage of people aged 50+ running their own businesses. Even if international differences can be explained, it is difficult to explain regional differences in terms of innate characteristics. It is more likely that the significant factors are:

- cultural experiences of entrepreneurship
- awareness of opportunities, and
- levels of appropriate support

Research based on these factors is likely to offer better insights into policy needs.

Section 2: Towards an explanation of differences

In trying to understand the differences between groups within the 50+ age band, and in seeking to appreciate and cater for differing needs, PRIME has found a model consisting of three concentric circles is helpful (see Figure 3, below). The centre represents people who have all the elements required to start their own business. The further away from the centre, the fewer of these elements there are in place. Like any heuristic the model over-simplifies, but it is, nevertheless, a helpful way of conceptualising what is happening.

The inner circle is composed of people with the skills, knowledge, self-confidence and the contacts to step easily into self-employment. These are people who often come from families where entrepreneurship is common, or who have perhaps had contact with entrepreneurs in their working life. This group understands the business support structures and is able to find its way to the agencies of enterprise.

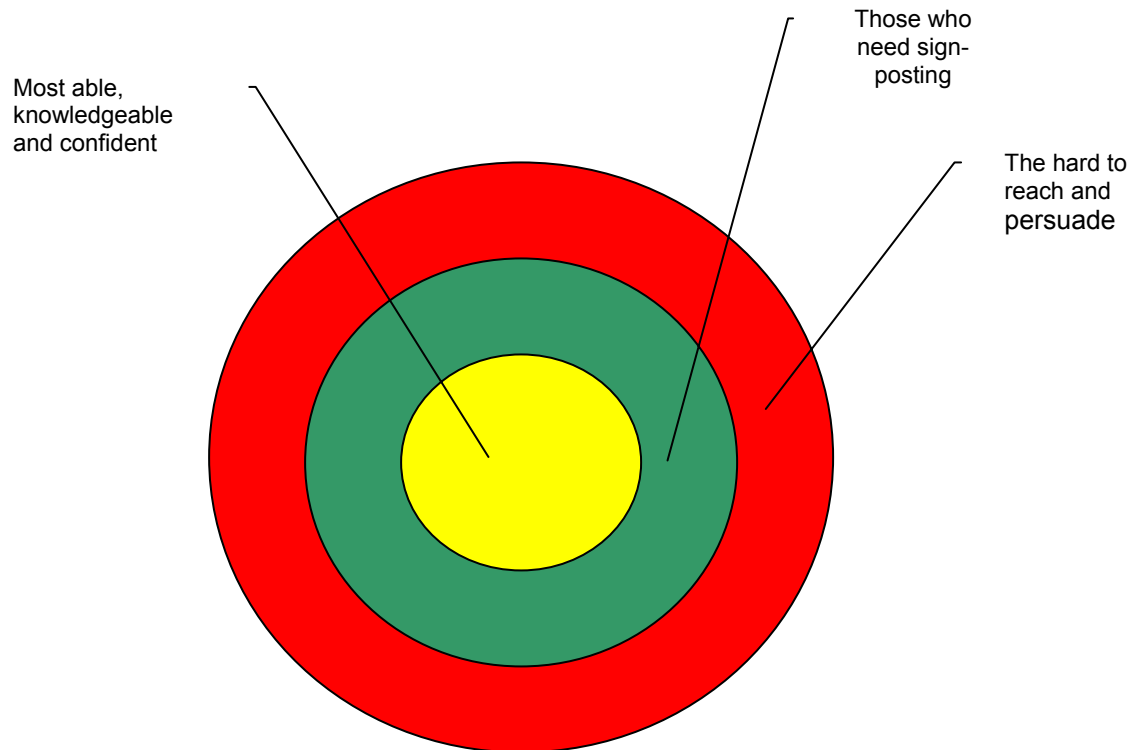


Figure 3: model of three groups identified in those over 50

The middle circle is composed of people who perhaps have the skills to run their own business, but lack knowledge of how to establish a business. In other cases their self-confidence may be particularly fragile after being made redundant. These are the people who need some help but will not easily find their way to the business support agencies on their own. PRIME has been able to work with its partner business support agencies to reach out to some of the 50+ in this group and signpost them to the help and assistance of its partners.

The outer circle is made up of people who, for example, may conceive of the world in terms of workers and bosses. Their concept of an entrepreneur is more likely to be of a suited city businessman. They are unlikely to have examples amongst friends and families of people who have successfully started their own business and they are unlikely to perceive themselves as someone who could do so. Like those in the middle circle, these people have to be sought out, but then they also need help in changing their assumptions about the world and their place in it. They will, therefore, need more pre-start-up help and of a different kind to those in the inner circle. PRIME characterises this help as *pre* pre-start-up.

There is often a presumption that the same business support solutions are appropriate across all regions of the country. However, different regions have had very diverse economic experiences, shaping the cultural experiences and expectations of the workforce very differently. For example, there used to be large labour forces serving a relatively small number of big employers in a particular geographic area. There are many examples of towns where there was one major employer. This, however, is changing and is particularly true of former coal-mining areas, where “the pit” was usually the major employer. Young people either worked in the coal-mining industry or left the town. After the mine closures, collieries were not replaced by other employers and so the ex-coal mining towns became areas of large scale unemployment. These kinds of economic experiences will have shaped the expectations and aspirations of those in the areas affected who are now aged 50+.

In rural areas, and in particular in the South West, there is evidence from the Countryside Agency (see “Rural Economies: Stepping stones to a healthier future” Countryside Agency March 2003) that older workers migrating into the area have imported an entrepreneurial impetus and have started new businesses.

There is clearly a need for more work and research to determine whether different regions or sub-regions need different kinds of help, support and initiatives in generating 50+ self-employment. However the implications of the concentric circles model are that:

- outreach is an important feature in attracting potential a range of entrepreneurs to business support agencies
- there is a level of support that has to be offered to some groups before they are ready to consider business planning
- restricting the experience of entrepreneurship to a slot in the school curriculum is an inadequate cultural preparation for a group of people for whom entrepreneurship becomes a new option when they are over 50, some 30 years or more later.

Entrepreneurship needs to be a visible and realisable possibility throughout an individual's working life

- those who have had least exposure to entrepreneurship will probably need extended support after starting their business
- different solutions may be appropriate in different regions or sub-regions because different labour forces will have had very different experiences.

Section 3: PRIME challenges

3.1 Access to training

Because they are usually required to pay the full costs for other than very short courses, many older people find it difficult to access the training that will give them work specific skills that they can utilise to start a business, as opposed to the business skills necessary for business start-up which are available through the agencies of enterprise. This cost factor is especially pertinent to those who are not working and therefore have little in the way of financial resources, or who need to husband their money. Those on New Deal 50+ are entitled to a training grant of up to £1,500 paid to an approved trainer, however the six-month wait before a person is eligible for New Deal 50+ means many people drop out and accept their workless situation. For those considering self-employment, it is rarely possible to start a business and then acquire the work specific skills needed for that business, so the training grant is not particularly helpful. There are training opportunities whilst a person is in work (although there is evidence that people over 50 are offered less training than other age groups), but when a person is out of work, they rarely have the finances to pay the full costs of a course that could lead to self-employment. Because access to training is limited, people aged 50+ are being confined to the skills and expertise that they have acquired whilst in employment. This restricts them in their search for a viable business proposition.

3.2 Guidance

There is a network of Information, Advice and Guidance (IAG) partnerships that will offer careers assistance to anyone over 50. Unfortunately this network is not well known by those who would benefit most from guidance. There is also an issue as to how well IAG partnerships understand self-employment. The Guidance Council is campaigning for careers' guidance to become an inherent part of personal development, with, for example, opportunities made available in the workplace as well as outside work. PRIME supports this initiative because it believes that information, advice and guidance would make an important contribution to personal development for those over 50 who are considering or who have to make a change in their working lives. However it is important that the IAGs understand self-employment and the opportunities that are available for business advice and support.

3.3 Outreach

An outreach capacity linked to the agencies of enterprise is only just beginning to be developed. PRIME takes the view that outreach is an essential part of developing an entrepreneurial society, and that this is especially true for the over 50s. Outreach involves far more than simply putting up notices, distributing flyers, or contacting people. It must include a range of confidence building initiatives, assistance in identifying skills, and help in assessing opportunities. This requires that an outreach worker forms a relationship of trust with a community, often working with established neighbourhood organisations and groups. However, there also needs to be more research into appropriate outreach models for different regions, sub-regions and communities. It is anticipated that the Department of Trade and Industry's Enterprise Promotion Fund will resource projects from April 2004 that will shed further light on this.

3.4 Changing the "front-end loaded" business support model

The majority of business support is front-end loaded i.e. it takes place before a business start-up. In contrast, there is now an almost universal acceptance that education should be lifelong and continuous rather than front-end loaded. Furthermore, it is accepted that the workforce needs support and continuous training during employment. However there seems to be an assumption that entrepreneurs should pay for any extra business support and advice as soon as their business starts.

There has been a tendency to try to identify "growth" businesses, and then offer some free post start-up support. This has left what are rather disparagingly called "life-style businesses" without continued support after start-up unless the extra help is paid for. PRIME's view is that this is short-sighted because it ignores those who could grow but are in danger of failing without help. It is not really known how to determine which businesses will grow, although there are some lists of characteristics of growth businesses that are in common parlance. Business growth is determined by a complex amalgam of business characteristics including personality, drive, product, timing and marketing. If growth forecasts are likely to affect the amount of support a particular business does or does not get, the forecasts are likely to become self-fulfilling prophecies. The distinction, furthermore, promotes a message that certain kinds entrepreneurs with arbitrarily named "life-style businesses" are unimportant in the community. The result is that some people, who could have made a valuable contribution to the economy and to society, may decide not to start a business.

PRIME maintains that to build an entrepreneurial society, business support should extend well beyond business start-up, particularly for people over 50 who are becoming self-employed for the first time. In its loan scheme of last resort, PRIME has been able to ensure that all its loan recipients have access to continued mentoring support for the duration of the loan. Credit is richly deserved by those agencies of enterprise that have taken on this extra support role, often at cost to themselves. PRIME maintains that business support beyond start-up should be extended to all and should go beyond mentoring. Support beyond start-up should not be dependent on goodwill, but should be factored into the business support agencies' contracts.

3.5 Abolishing the six-month rule

Apart from a number of particular circumstances, the New Deal 50+ programme is only available to those who have been on benefits for six months. The New Deal 50+ self-employed programme has been highly successful. Up to March 2003 it has enabled almost 12,000 people to start their own businesses and, significantly, 18 per cent of these have been started by 50+ women. The programme has been structured in such a way that individuals can test trade whilst still retaining their benefits. There are still improvements that can be made, but New Deal 50+ self-employment programmes have shown that it is possible to forge a financial bridge between welfare and self-employment. However, the six month wait before an individual can access the programme is a barrier which proves unbridgeable for many aged 50+.

Six months can be an extremely long period for someone in this age group and so they are likely to lose hope. It is acknowledged that Job Centre Plus is now targeting those who have been out of work for six months with personal advisers. This is an excellent development but the six month rule means many can only be found at considerable cost, if at all. It would be more efficient and effective to target this support from the first day of worklessness, and it could be argued that advice and guidance should start before that. This contention is backed by the data in Table 1 that shows there are far fewer people on Job Seeker's Allowance, the easiest route into New Deal 50+, than there are stating that they want to work. It is PRIME's contention that removing the six month rule will encourage more people to access New Deal 50+ self-employment programmes.

3.6 Welfare flexibility

While welfare benefits do not provide for a comfortable life-style, for someone aged 50+ who is not in self-employment or employment they are vital. Having secured a "welfare income", albeit at a low level, it can be a rational and prudent decision not to jeopardise this "income" by seeking to start a business. That business may fail to take off before the entrepreneur's cash gives out, and result in the person being even worse off. If the business venture falters, there is a very real possibility that it will prove difficult, if not impossible, to re-establish the same level of welfare benefits. What guarantees of being able to re-establish benefits at the same level there are, always appear ambiguous. For the over 50's the very inflexibility of the welfare system means that, having secured a welfare income, they are reluctant to jeopardise it. This inflexibility may also encourage people to supplement welfare benefits through the informal economy.

PRIME has welcomed the Working Tax Credit (WTC) with some caveats. For example, it is, at present, impossible for a business adviser to predict the exact level of WTC that will be payable to an individual, and this makes business planning difficult. However PRIME has published and disseminated its own Guide for 50+ self-employed "Where Credit is Due" (available from PRIME). The WTC has shown that it is possible to create radical and more flexible approaches that ensure a 50+ business can secure a minimum income level. PRIME would urge the government to build more flexibility into the system so that it becomes easier to move between welfare and self-employment. This will inevitably mean devolving more authority to regional and local managers.

3.7 Access to finance

PRIME has established a loan of last resort for those over 50 who want to start their own business but are unable to raise the money through any other source. What has been surprising is that the PRIME loan has sat alongside a range of local and regional loans, many of which are offered at interest rates that are far below that which would put the loan fund anywhere near economic sustainability. PRIME understands that a large proportion of the funds for these loans come from the EU. With the expansion and changes to the EU, there is some doubt as to whether these funds will be forthcoming in the future. In the meanwhile, a range of false expectations are being generated.

In assessing the business plans of 50+ loan applicants, it is apparent that many business plans would have benefited from a grant to undertake a deeper level of market research than had been possible. It is PRIME's view that instead of creating false competition in loans that are not sustainable in the long-term, it would be more prudent to use EU monies for market research grants. This would contribute a great deal to the long term viability of 50+ businesses.

3.8 Enabling entrepreneurs to retire

It is apparent from Table 3 (Section 5 below) that there are a significant number of self-employed over the age of 65. Stephen McNair at the Centre for Research into the Older Workforce (CROW) at the University of Surrey, noted the same phenomenon in his National Omnibus Survey (<http://www.surrey.ac.uk/Education/crow-survey.htm>).

Without further research it is difficult to know whether 65+ entrepreneurs are gaining immense satisfaction from their self-employment and so want to carry on, or whether they are unable to stop working because they do not have the capital or the pension scheme to enable them to retire. It is quite feasible that the latter is the case, particularly amongst those who have established their businesses after reaching fifty. In the first few years they are likely to have experienced limited profits as they established their businesses. This means there would have been little surplus to invest in a pension plan. At 65 they may well have found the option of continuing in self-employment was far more attractive financially than retirement. However, at some point most people will have to consider retirement, and it is important that entrepreneurs have access to options similar to employees.

PRIME would like to see more research and investigation into this feature of the 50+ labour market. If it proves the case that the self-employed are finding it difficult to retire because they have not been able to make retirement provision, consideration should be given to a range of options. One of these might be that of some kind of retirement / pension credit for those who become self-employed at 50+ but have a successful business with a limited profit margin. This could utilise some of the welfare payments that would have accrued had that person remained outside the labour market to invest in a pension.

Section 4: PRIME recommendations

The data shows that self-employment is already an important route into the labour market for people aged 50+, but a deeper examination of the facts suggests that more could be done to enable a greater proportion of the age-group to pursue this course. These proposals are made in order to create a business support environment for the 50+ age group which will take those first vital steps in creating an expanding 50+ entrepreneurial society. Failure to take them will surely be a contributory factor in ensuring this country continues to lag behind the best in the world entrepreneurial league tables. Failure will also ensure we continue with a situation where over a third of the 50 – 64 age group is outside the economic mainstream. If this proportion is unable to re-attach itself to the labour force, it will undoubtedly contribute, as the age cohort grows and matures, to a future explosion in old age poverty and escalating welfare costs.

- (i) Abolish the six month on benefits rule for the New Deal 50+ because it results in losing potential entrepreneurs. The cost of people staying on benefits far outweighs the cost of the few who would have found their way back to employment during the six-months
- (ii) Waive tuition fees and charges for longer courses that would enable those aged 50+ who are not economically active to increase the opportunities for self-employment. The concern that it will encourage perpetual students that do not want to work is minimal compared with the opportunities that dropping tuition fees would open
- (iii) Develop a financing stream for outreach work. PRIME is already developing work with its partner agencies of enterprise, but is hampered by lack of finance. The costs of outreach would be met by the extra revenues generated by an increase in business start-ups and business sustainability, and a reduction of the number of people on benefits
- (iv) Improve the visibility and availability of adult guidance, ensuring that the 50+ age-group are aware of IAGs, and that IAGs are aware of the routes to self-employment
- (v) Fund continuing business support beyond business start-up for new 50+ entrepreneurs, including business mentoring and free business health checks
- (vi) Introduce more flexibility into the welfare system so that those aged 50+ can feel secure that they can start a business but immediately access the same level of welfare support if that business falters
- (vii) Channel monies into grants for market research rather than into competitive loans which creates a false market and unsustainable expectations about the price of money
- (viii) Undertake systematic research into 50+ self-employment . A number of areas have been alluded to including

- (a) poverty and wealth amongst women aged 59-64
- (b) understanding what those aged 50+ really mean by stating that they do not want a job by researching concerns and aspirations
- (c) the consequences of different cultural experiences on enterprise awareness, awareness of business support and the differentiation of levels of business support
- (d) the effects of regional economies on expectations and aspirations
- (e) the need for pension schemes for 50+ start-ups and the solutions available

Section 5: PRIME Tables

Table 1a: Regional Economic Activity in England amongst those over 50 Data Source: Labour Force Survey Spring 2003

	Eng-land	%	E Mid-lands	%	East Eng-land	%	Lon-don	%	North East	%	North West	%	South East	%	West Mid-lands	%	South West	%	Yorks & Hum	%
	50+ (000's)		50+ (000's)		50+ (000's)		50+ (000's)		50+ (000's)		50+ (000's)		50+ (000's)		50+ (000's)		50+ (000's)		50+ (000's)	
Currently seeking work	205	1	18	1	20	1	42	2	10	1	22	1	32	1	23	1	15	1	23	1
Would like to work	535	3	43	3	52	3	76	4	40	5	80	4	81	3	51	3	59	3	51	3
Do not want to work	9,376	58	813	57	1,038	56	1,092	56	544	64	1,329	60	1,482	55	1,042	59	1,045	58	990	60
Employed	4,992	31	454	32	606	33	572	29	222	26	657	30	894	33	554	31	534	30	501	30
Self Employed	1,084	7	88	6	133	7	159	8	30	4	137	6	217	8	91	5	146	8	82	5
Unpaid Family Worker	28	0	3	0	5	0	5	0	1	0	0	0	5	0	2	0	4	0	3	0
	16,219		1,420		1,855		1,947		847		2,226		2,710		1,762		1,803		1,649	

Table 1b: Regional Economic Activity in England amongst those aged 50-64 Data Source: Labour Force Survey Spring 2003

	Eng-land	%	E Mid-lands	%	East Eng-land	%	Lon-don	%	North East	%	North West	%	South East	%	W Mid-lands	%	S West	%	Yorks & Hum	%
	50-64 (000's)		50-64 (000's)		50-64 (000's)		50-64 (000's)		50-64 (000's)		50-64 (000's)		50-64 (000's)		50-64 (000's)		50-64 (000's)		50-64 (000's)	
Currently seeking work	195	2	16	2	19	2	40	4	10	2	20	2	30	2	22	2	14	2	23	3
Would like to work	487	6	40	5	46	5	68	6	39	9	75	6	73	5	45	5	54	6	48	5
Do not want to work	2,400	27	210	27	242	24	303	28	159	35	363	30	338	23	279	29	245	26	262	29
Employed	4,704	54	428	56	570	57	536	49	217	48	630	52	826	57	527	55	492	53	478	54
Self Employed	937	11	75	10	114	11	133	12	27	6	121	10	188	13	79	8	125	13	74	8
Unpaid Family Worker	16	0	2	0	3	0	2	0	0	0	0	0	3	0	2	0	1	0	2	0
	8,738		771		993		1,083		452		1,210		1,458		953		932		887	

Section 5 (continued): PRIME Tables

	Population 50 - 64 (000's)	Self-employ- ed 50 - 64 (000's)	% of 50 - 64 Population
East Midlands	771	75	10
East of England	993	114	11
London	1,083	133	12
North East	452	27	6
North West	1,210	121	10
South East	1,458	188	13
West Midlands	953	79	8
South West	932	125	13
Yorkshire & Humber	887	74	8
England	8,738	937	11

Table 2: Self-employment amongst 50-64 year olds in English regions

This table reformats the self-employment data in table 1b

	50+ Populat- ion (000's)	50+ Self- Employ- ed (000's)	50 + Self Employ- ed %	65+ Self- Employ- ed (000's)	65 + Self Employ- ed %
East Midlands	1,420	88	6	13	1
East England	1,855	133	7	20	1
London	1,947	159	8	26	1
North East	847	30	4	3	0
North West	2,226	137	6	16	1
South East	2,710	217	8	29	1
West Midlands	1,762	91	5	11	1
South West	1,803	146	8	21	1
York's & Humber	1,649	82	5	8	0
England	16,219	1,084	7	147	1

Table 3: Self-employment 50+ in English regions.

This table reformats the data in table 1a and adds the numbers and percentages of those aged over 65

Section 5 (continued): PRIME Tables

Over 15	Thailand India Chile
Between 10-15	Korea New Zealand Argentina Brazil China Mexico Iceland USA
Between 5-10	Ireland Canada Australia Norway Switzerland Israel South Africa Denmark Hungary Italy Singapore UK Germany
Between 2-5	Spain Netherlands Finland Slovenia Poland Taipei Sweden Croatia Hong Kong France Belgium Russia Japan
Score on the Total Entrepreneurial Activity (TEA) Index	Relative position of the 37 countries within GEM

Table 4: UK position in the Global Entrepreneurship Monitor 2002

The Total Entrepreneurial Activity Index (TEA Index) is made up of the total number of people involved in start-up businesses and new firms which have been operating for up to 42 months. In 2002 the UK came 23rd out of 37 countries with a score of just over 5 – suggesting about 5 people in every 100 started a sustainable business.

Appendix 1: Data Source and Explanation

The figures used in this paper are derived from the Spring edition of the 2003 Labour Force Survey (LFS). It is a legal requirement for every country in the European Union to conduct a Labour Force Survey. The LFS is a sample survey of people, aged over 16, living in private households, students halls of residence and NHS accommodation. The survey asks a series of questions about respondents' personal circumstances and their activity in the labour market.

From spring 1992 the LFS has been carried out in Great Britain every quarter, and from winter 1994/5 the quarterly LFS was extended to cover the whole of the UK. The sample size of the UK is now about 60,000 households every quarter. In spite of this large sample size, like any sample survey, estimates from the LFS are subject to sampling error. It follows from the nature of sampling variability that the smaller the group whose size is being estimated, or from which an estimate is being derived, the (proportionately) less precise the estimate will be. LFS estimates of fewer than 10,000 are not published by ONS, as they are likely to be unreliable. The 10,000 threshold equates to approximately 30 respondents, a relative standard error of about 20% and an approximate 95% confidence interval of +/- 4,000. LFS estimates have **not** been adjusted to take account of the recent Census 2001 results. ONS are working toward producing re-weighted LFS estimates based on the findings of the 2001 Census.

The LFS survey is considered to give a higher estimate of the number of people active in the labour market than other sources of data such as the General Household Survey. However the two sources of statistics do not give exactly the same detail, but, nevertheless paint a very similar picture. While census data might be more accurate (there are considerable question marks already), its accuracy quickly becomes outdated the further away we move from the census date. At this time we do not have census data that can be compared with the LFS.

As long as these figures and data are not imbued with an accuracy they do not merit, they start to provide indications of relative size, and help draw a picture of what is happening.

Appendix 2: Explanation of currently seeking, would like to work, would not like to work

It is important to note in PRIME’s facts and figures calculations that “those currently seeking, those who want to work, and those who do not want to work” consist of the following Labour Force Survey and ILO descriptions:

Would like to work	Currently Seeking	Would not like to work
Inactive - not seeking, would like work, waiting results of job application	* ILO unemployed	Inactive - not seeking, not like work, waiting results of job application
Inactive - not seeking, would like work, student	Inactive - seeking, unavailable, student	Inactive - not seeking, not like work, student
Inactive - not seeking, would like work, looking after family, home	Inactive - seeking, unavailable, looking after family, home	Inactive - not seeking, not like work, looking after family, home
Inactive - not seeking, would like work, temporarily sick or injured	Inactive - seeking, unavailable, temporarily sick or injured	Inactive - not seeking, not like work, temporarily sick or injured
Inactive - not seeking, would like work, long term sick or disabled	Inactive - seeking, unavailable, long-term sick or disabled	Inactive - not seeking, not like work, long term sick or disabled
Inactive - not seeking, would like work, believes no job available	Inactive - seeking, unavailable, other reason	Inactive - not seeking, not like work, not need or want job
Inactive - not seeking, would like work, not started looking	Inactive - seeking, unavailable, no reason given	Inactive - not seeking, not like work, retired
Inactive - not seeking, would like work, not looked		Inactive - not seeking, not like work, other reason
Inactive - not seeking, would like work, no reason		Inactive - not seeking, not like work, no reason given

Table 5: PRIME definitions

***ILO unemployed** people are; without a job, want a job, have actively sought work in the last 4 weeks and are available to start work in the next 2 weeks, or, are out of work, or have found a job and are waiting to start it in the next 2 weeks. In general, anybody who carries out at least one hour’s paid work in a week, or who is temporarily away from a job (e.g. on holiday) is in employment. Those who are out of work but do not meet the criteria of ILO unemployment are economically inactive. The LFS adds a question asked of those who are defined as ILO economically inactive, seeking to ascertain whether they would, actually, like to work irrespective of whether they are actively seeking work.

Do not want to work Considerable care needs to be taken with the definition of “Do not want to work” when applied to the 50+ age group. Many people selecting a response under this heading have been made redundant but will speak of themselves as retired even though they are not in receipt of a full (or in many cases, any) pension. Others will be on different kinds of benefits and fear that they will lose those benefits if they did find work and it does not work out. Still others will have tried to find work and failed and for their own self-esteem will call themselves retired.

Appendix 3

50+ Self-employment facts to remember

- 1979: 84% of UK men between 50 and state pension age were working
2002: 73% of UK men between 50 and state pension age were working

- The economy would be 10% larger if the employment patterns for the over 50's were the same as 20 years ago

- In 2003 over a third of those aged 50-64 were not employed or self-employed. This amounts to nearly 3.6 million men and women in the UK

- 75% of the 1.3 million 50+'s on Incapacity Benefit say they could do some form of work.

- 35% of the 3.5 million self-employed are 50+.

- Between 1997 and 2001 self-employment declined for "all ages" but increased for the 50+.