



Statement Submitted for the
U.S. Senate Committee on Small Business and Entrepreneurship
And
U.S. Senate Special Committee on Aging

Joint Hearing

***"In Search of a Second Act: The Challenges and Advantages of Senior
Entrepreneurship."***

10:00 a.m., Wednesday, February 12, 2014

Dirksen Senate Office Building, Room 562

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The Gerontological Society of America (GSA) applauds Chair Mary L. Landrieu and Ranking Member James R. Risch of the Senate Committee on Small Business and Entrepreneurship, and Chair Bill Nelson and Ranking Member Susan M. Collins of the Senate Special Committee on Aging, for shining a light on the important role of America's fastest growing age group of entrepreneurs and small business owners.

This hearing could not be more timely. Despite the recent economic downturn, we have seen the number of self-employed adults age 55 grow since the start of the recession in 2007. Today, as the U.S. economy continues to slowly recover, there's an opportunity to advance the state of our research and policies to

support older adult entrepreneurs who are helping to drive the economic recovery in our communities and in our nation as a whole.

What do we know about senior entrepreneurs?

The fact that many employed seniors are self-employed has not been widely reported, even though more than 4.4 million people age 55 or older were self-employed in 2010—up slightly from 4.3 million in 2007. In contrast, the number of self-employed people under age 55 decreased from 10.5 million in 2007 to 9.3 million in 2010.¹

Self-employment rates increase dramatically with age; for example, only about 4% of workers younger than age 30 are self-employed compared to 15 percent among those ages 50 to 64 and 25 percent among workers 65 or older.²

Although the media have popularized the image of the “entrepreneur” as a tech-savvy innovator in his or her early twenties, a recent study published by the Kauffman Foundation and Legal Zoom finds that the same percentage of all new businesses—15 percent—were started by entrepreneurs aged 18 to 29 and those 60 and over.³ And, separate research by the Kauffman Foundation has established that the highest rate of business start-up activity over the past decade has been among people in the 55 to 64 age bracket.⁴

More than half of all U.S. small business owners were age 50 and over in 2012 — up from 46 percent in 2007.⁵ According to the U.S. Small Business Administration,

¹ AARP Public Policy Institute calculations from the 2010 American Community Survey, personal communication.

² Pew Research Center Social & Demographics Trends Project.
<http://www.pewsocialtrends.org/2009/09/17/take-this-job-and-love-it/>

³ The Kauffman Foundation and LegalZoom, *Who Started New Businesses in 2013?*.
http://www.kauffman.org/~media/kauffman_org/research%20reports%20and%20covers/2014/who_started_new_business_in_2013.pdf

⁴ The Kauffman Foundation, *Kauffman Index of Entrepreneurial Activity: 1996-2012*.
http://www.kauffman.org/~media/kauffman_org/research%20reports%20and%20covers/2013/04/kiea_2013_report.pdf

⁵ U.S. Small Business Administration, Office of Advocacy, *Demographic Characteristics of Business Owners*, Issue Brief Number 2, January 14, 2014.

<http://www.sba.gov/sites/default/files/Issue%20Brief%20,%20Business%20Owner%20Demographics.pdf>

the self-employed also retire later than wage and salary workers; small business owners in 2010 reported that they would retire on average at age 72.6, while the expected retirement age among wage and salary workers was 68.4.⁶

Studies show that the older (50-plus) self-employed population has higher levels of wealth than wage and salary workers in the same age group. About one-third of older self-employed workers become self-employed at or after age 50, and studies show they are more likely than the longer-term self-employed to have lower income and wealth, have a work-limiting health condition, work part time, and have left their prior job involuntarily.⁷ This finding suggests that self-employment may present an opportunity for older workers to overcome some of the barriers they face when looking to reenter the labor force after retiring or suffering a job loss. We know that people over 50 are more likely to be among the long-term unemployed than younger workers and face greater barriers to finding a job than their younger counterparts; the average duration of unemployment for adults 55 and over was 46 weeks in December 2013, compared to 34 weeks for jobseekers under age 55.⁸

Members of the large baby boom generation are moving into the years when they are more likely to become self-employed. Aging boomers also are more likely to work longer since they tend to be healthier and better-educated than previous generations of retirees. The result of these trends will likely be an increase in self-employment. Yet, despite its important implications for older adults' retirement well-being and national economic growth, self-employment

⁶ U.S. Small Business Administration, Office of Advocacy, *Retirement, Recessions, and Older Small Business Owners*, Small Business Research Summary No. 400, December, 2012.

<http://www.sba.gov/advocacy/7540/372751>

⁷ Lynn A. Karoly and Julie Zissimopoulos, *Self-Employment and the 50+ Population*, Washington, D.C.: AARP, 2004; Julie Zissimopoulos and Lynn A. Karoly. *Work and Well-Being Among the Self-Employed at Older Ages*, Washington, D.C.: AARP, 2007.

⁸ Sara E. Rix, *The Employment Situation, December 2013: Disappointing Year-End Numbers for Older Workers*, AARP Public Policy Institute Fact Sheet 299, January 2014, http://www.aarp.org/content/dam/aarp/research/public_policy_institute/econ_sec/2014/the-employment-situation-december-2013-AARP-ppi-econ-sec.pdf

and entrepreneurship at older ages is a relatively understudied area.

What do we need to know about senior entrepreneurs?

There is still much more that needs to be known about senior entrepreneurs.

Some important questions include:

- Who seeks to start a business after age 50? What are their rationales and motivations?
- What types of businesses do they start?
- How successful are those businesses (survival rates, sales, profitability), and what factors contribute to success and failure?
- What kinds of business skills development, mentoring, and advisory support do older entrepreneurs currently use? Do these resources meet their needs?
- How does self-employment affect older adults' health, satisfaction, and financial well-being?
- What is impact of these new businesses on the economy and in communities (jobs creation and economic stimulation)?

Expanded research in any of these areas would help policymakers and business advocacy agencies to better understand this large and growing group, and provide evidence to assess program and policy effectiveness and to guide intervention development. In this regard, the "Empowering Encore Entrepreneurs Act of 2013" (S.1454) call for a report that reviews potential "barriers and obstacles" (e.g., access to finance) is an important first step towards building a policy framework that encourages and supports those who take the entrepreneurial path in later life.

Working in partnership with Senior Entrepreneurship Works, The Gerontological Society of America convened a summit of thought leaders in the areas of aging, employment, banking, microfinance, entrepreneurship and public policy to

develop cross-sector consensus about priorities for research, programs, policies, and capitalization options to advance self-employment and entrepreneurship in mid-life and beyond. At your request, we would be happy to provide more detail on the outcomes of the October 2012 "New Engines for a New Economy" Summit, as well as provide contacts for any of our key researchers and stakeholder participants.