

SENIORPRENEURSHIP: DON'T RETIRE – REWIRE

Connecting Wisdom and Experience with Start-Ups

"If you say the word 'retirement', it almost means the end of being useful. Why would anybody want that? I've retired five times, depending on how you define it. So the real question becomes, what will you do next?"¹

Chris Hadfield, astronaut, musician, author, speaker, inspirer.

Executive Summary

The Bottom Line: Engaging more seniors in entrepreneurship -- with their resources, experience and connections -- provides an exciting opportunity to create jobs and revitalize Calgary. It also could mean better health and well-being for more seniors. It's a win-win opportunity that has been tried elsewhere. It is time to do it here – now!

There are about 180,000 seniors in the Calgary area. By 2022 that number is expected to grow to almost 232,000². Baby-boomers³ are getting older.

First reactions usually include worry about the health care costs of an aging population, societal dependence, costs to social security programs and pensions, as well as concerns for those in the 'sandwich' generation, stretched between raising children and the needs of aging parents.

¹ From an interview with Courtney Shea, Canadian Business Magazine, January 2017.

² <http://www.calgaryeconomicdevelopment.com/research-and-reports/demographics-lp/demographics/>

³ Those born between 1946 and 1965, according to Statistics Canada (https://www12.statcan.gc.ca/census-recensement/2011/as-sa/98-311-x/98-311-x2011003_2-eng.cfm)

But increasingly we are seeing another trend that is generally ignored, especially here in Canada, *the senior entrepreneur*⁴.

1. Senior entrepreneurs exist and their numbers can be expanded:

A survey of adult Canadians found that 4 per cent of those aged 65 and older, were actively engaged in early-stage entrepreneurial activity⁵ and half of those were over 70.⁶ Approximately 10% of these ‘seniorpreneurs’ anticipate more than five employees and at least 50% growth in five years. The Alberta GEM report for 2015 found similar results, with 5% in this small sample reporting start-up activity.”⁷ That means that there could be 9,000 senior entrepreneurs over 65, including 4,500 over age 70 in Calgary alone. The current cohort of seniors’ start-ups could create at least an additional 4,500 jobs within the next five years. If we could double the engagement of our growing population of seniors in entrepreneurship – or accelerate their growth plans, particularly by partnering with younger entrepreneurs – we could see job creation of well over 10,000 new direct jobs (not including the entrepreneurs themselves).

⁴ The terms senior and entrepreneur both face challenging problems of definition in the research. Seniors are defined differently in every study. Some begin at age 50, others at 55, still others at 62 (the age Americans can begin receiving Social Security), 65 is the age used by StatCan. The Global Entrepreneurship Monitor ignores individuals over age 65, except in Canada, where they collect data for those over 65. The definition of an entrepreneur is even more perilous. One major distinction is between entrepreneur and self-employed. While all entrepreneurs are self-employed, not all self employed would be considered to be entrepreneurs. Who are entrepreneurs? Generally entrepreneurs are considered to start new firms with the intention of growing a business that would employ others. But at what point does the self-employed start-up become an entrepreneurial start-up? Does it begin with intentions or paying a salary to the first employee? What about a team of founders who do not receive salaries, possibly for several years? In this report we have used the definition employed by the original researchers. For an example see: Baldwin, John R., Danny Leung and Len Landry, *The Measurement of Firm Entry in the Longitudinal Employment Analysis Program*, Economic Analysis Division, Statistics Canada, November 2016 (www.statcan.gc.ca/pub/11-633-x/11-633-x2016004-eng.htm)

⁵ Early-stage activity is defined by the Global Entrepreneurial Monitor as including the setting up of a business through the first 3.5 years.

⁶ *GEM Canada Report 2015*, p.50.

⁷ *GEM 2014 Alberta Report*, p.29

The attitudes among seniors towards entrepreneurship are positive, suggesting it should be possible to increase this proportion by building awareness of successful senior entrepreneurs, and increasing the support available for seniors. Among seniors, 47% reported having the skills/knowledge to start a new business, 48% believed there were opportunities to start a new business in the next six months and only 27% said they would be inhibited by fear of failure (vs. 43% rest of population).⁸ This relatively lower level of risk aversion is an important determinant of entrepreneurial participation especially when combined with wealth. Older entrepreneurs use more personal savings to finance a business and they have greater access to external sources of financing as well⁹. A study in the U.S. found that seniors with better health, higher education, and greater wealth living in communities with lower tax rates, more diverse and tolerant societal attitudes are more likely to move into self-employment after age 62.¹⁰ This bodes extremely well for Alberta which would score extremely well on all these dimensions. It is important to note that the driver is wealth, not income. Canadian seniors today have four times greater wealth than seniors did in 1984 and the median net assets of seniors are higher than all but those immediately prior to retirement¹¹. In fact the average net worth of two person families where at least one person is over 65 was about one million dollars in 2012¹². Given that Albertans and Calgarians in particular, have the second highest net wealth in the country, confirms that there is substantial wealth to support entrepreneurial endeavours. Combined with Albertans most positive attitudes toward entrepreneurship in the world the opportunity cannot be ignored¹³.

⁸ *GEM Canada 2015 pp.16-18.*

⁹ Zhang, Ting, *State of the Field: Distilling the universe of entrepreneurial research*, Kauffman Foundation, September 2016, <http://www.kauffman.org/microsites/state-of-the-field/topics/background-of-entrepreneurs/demographics/age> (accessed April 2017)

¹⁰ Zhang, Ting, *“Elderly Entrepreneurship in an Aging U.S. Economy: It’s Never Too Late”*, Imperial College Press, 2008, ch. 7. Zhang, Ting, “Does Working for Oneself, not Others, Improve Older Adults’ Health? An Investigation on Health Impact of Self-Employment,” *American Journal of Entrepreneurship*, V.8#1,2014.

¹¹ <http://www.macleans.ca/society/life/seniors-and-the-generation-spending-gap/>

¹² <http://www.freedomthirtyfiveblog.com/resources/median-and-average-net-worth> based on StatCan 2012 data

¹³ <http://www.conferenceboard.ca/hcp/provincial/innovation/ambition.aspx> (accessed April 2017)

2. Entrepreneurism can mean better health and wellbeing and its good for society too:

While some seniors face major health challenges, many do not. The most recent data from Statistics Canada reported that of those seniors who were in good health 5 years earlier, 64% rated their health as good, very good or excellent¹⁴. In addition, seniors who are active, including those who continue to work past age 65, are healthier than their less active peers. Active engagement in work and volunteer activities over age 65 are associated with better health, fewer functioning limitations and lower risk of death¹⁵. Delaying retirement by even one year lowers one's risk of all mortality causes regardless of whether one is healthy at retirement or not¹⁶. It has been estimated that there is an 11% lower risk of all-cause mortality for every year someone delays retirement.¹⁷ Another study compared individuals who were employed at age 70 and again at age 77. Independent of baseline status, working at age 70 was associated with greater health, self-sufficiency and longevity at age 70 and at 77¹⁸. And the news is even better for those who are self employed. *For individuals 50+, self-employment compared to wage-and-salary jobs results in better health, controlling for job stress and work intensity, cognitive performance, prior health conditions, socioeconomic and demographic factors. This positive self-employment impact stands out in knowledge-based industry sectors.*¹⁹

Moreover, with access to communications technology, seniors who experience physical limitations, but who are mentally acute, could enjoy entrepreneurial engagement with others. The possibilities for a great sense of purpose contribute to general well being and other positive health outcomes for individuals and society.

¹⁴ Statistics Canada, Table 104-7018 accessed April 5, 2017.

¹⁵ Luoh, Ming-Ching, and A. Regula Herzog. "Individual Consequences of Volunteer and Paid Work in Old Age: Health and Mortality." *Journal of Health and Social Behavior* 43, no. 4 (2002): 490-509.

¹⁶ Wu C, Odden MC, Fisher GG, et al Association of retirement age with mortality: a population-based longitudinal study among older adults in the USA *J Epidemiol Community Health* **70** (2016): 917-923 (<http://jech.bmj.com/content/early/2016/03/21/jech-2015-207097.abstract>).

¹⁷ *Ibid.*

¹⁸ Hammerman-Rozenberg, Robert, Yoram Maaravi, Aaron Cohen, and Jochanan Stessman, "Working late: the impact of work after 70 on longevity, health and function", *Aging Clinical and Experimental Research*, vol.17 pp.508-513, 2005

¹⁹ Zhang 2008 *ibid*, ch.6

3. Seniors have the skills, knowledge and experience to succeed -- senior start-ups are more sustainable:

Mature entrepreneurs can possess significant advantages for start-ups and enhancing existing businesses. Well developed networks, technical and managerial skills, industry knowledge and even financial resources can provide a make or break contribution to a start-up or move a small business to the next level.²⁰ Perhaps surprisingly, research from the U.S. found that senior entrepreneurs are more likely than their younger counterparts to participate in the knowledge economy²¹. And importantly, seniors' start-ups don't lag on innovation. Among high growth start-ups, the proportion based on some form of innovation is only marginally lower for older founders than younger founders, 58% compared to 62% respectively²².

: Even in Silicon Valley, "twice as many successful entrepreneurs are over 50 as under 25; and twice as many, over 60 as under 20, according to Duke University's Vivek Wadhwa, Director of Research at the Center for Entrepreneurship and Research Commercialization at Duke University, who studied 549 successful technology ventures in cooperation with the Kauffman Foundation²³. Evidence is growing that start-ups with *older co-founders are more successful*, at least measured by their survival rates²⁴.

Kauffman's 2010 study of how start-ups have fared over difficult times found that "firms surviving through 2008 were much more likely than firms that exited over the period to have primary owners older than age 45... Of the 5,000 start-ups included when the study began in 2004, 48 percent were started by persons 45 or older, but 64 percent of the surviving companies were headed by entrepreneurs in that age group."²⁵

²⁰ Alex Maritz, "Senior Entrepreneurship in Australia: an Exploratory Approach", *International Journal of Organizational Innovation*, 7, no. 3, January 2015.

²¹ Zhang 2008 *ibid*

²² Botham, *ibid* p.16

²³ Whitney Johnson, "Entrepreneurs Get Better with Age", *Harvard Business Review* June 27, 2013 (<https://hbr.org/2013/06/entrepreneurs-get-better-with>)

²⁴ <http://money.usnews.com/money/blogs/the-best-life/2010/08/06/join-the-senior-entrepreneurial-stampede>
²⁵ *ibid*.

British research found an even more extreme result in favour of older founders. The Prince's Trust Initiative for Mature Enterprise found that "70 percent of start-ups by older entrepreneurs last more than three years compared with 28 percent for younger entrepreneurs"²⁶ Another British study found that 29% of high growth start-ups had at least one founder over age 55²⁷.

4. Seniors working together with younger entrepreneurs is a winning combination: The real opportunity lies with the many new businesses started by younger entrepreneurs, who could use the participation of those with more experience. Combining seniors who have business or technical experience, networks, sometimes even money, with start-ups that may lack those things, can be a win-win. They can act in a variety of capacities, depending on the needs of any particular start-up – as informal mentors; as members of advisory boards to provide higher-level advice and help with networks and connections; as experienced senior management; potentially also as funders; or even to provide specific technical skills a start-up may lack. There are all sorts of examples of specific skills and experience a start-up may need: In finance; law; making grant applications; navigating a regulatory system; establishing a network and making connections; logistics; enterprise sales -- the list goes on.

A British innovation research foundation that studied high growth start-ups discovered that the most successful start-ups were founded by teams whose members came from different age groups (both above and below age 50)²⁸.

5. Entrepreneurs and small businesses make a difference to the economy, but Canada lags other countries in advancing senior entrepreneurship:

Small business (less than 100 employees) account for seventy percent of Canadian jobs²⁹. Canada has been recognized as one of the most entrepreneurial countries in the world by the OECD and

²⁶ http://www.nesta.org.uk/sites/default/files/five_hours_a_day_jan13.pdf

²⁷ Botham, Ron and Andrew Graves, "The grey economy: How third age entrepreneurs are contributing to growth". Nesta.org, August 2009

²⁸ Ibid.

²⁹ Statistics Canada, *Labour Force Survey (LFS)*; and Innovation, Science and Economic Development Canada calculations. https://www.ic.gc.ca/eic/site/061.nsf/eng/h_03018.html#point1-1 (accessed April 2017)

others³⁰. In the 2002 to 2012 period, small businesses were responsible for 77.7% of all jobs created in Canada's private sector. Small businesses created around 100,000 jobs each year on average. 18% of start-ups employ 6-9 people and another 10% employ more than 20 people³¹.

U.S data demonstrated that senior entrepreneurship has a statistically positive impact on regional economic growth. This impact is even stronger than other two factors that are traditionally considered to drive economic growth — physical capital and knowledge capital. Compared with other entrepreneurship, senior entrepreneurship has a stronger impact on economic growth than entrepreneurship as a whole, and definitely stronger than entrepreneurship of younger people (which displays an insignificant and negative effect on economic growth)³².

The U.S. Small Business Administration in collaboration with AARP Foundation (an association that supports issues for individuals 50+) has reached almost 50,000 current and aspiring entrepreneurs over age 50 with their Encore Entrepreneurship mentoring and training programs. Various foundations in the U.S., Britain, Australia, as well as the EU and OECD all support senior entrepreneurship as a strategy to enhance seniors' well being and create societal benefits for the economy and taxpayers.

6. What is needed: Calgary can take the lead

Support for entrepreneurs isn't new – there are incubators, networking platforms for start-ups, venture capital organizations that make connections – but there isn't anything in Canada specific to encourage senior involvement in entrepreneurship. Something specific needn't be complicated – indeed, should be complementary to other activities. Calgary, in 2017, is a great place to launch something new -- something specific to encourage senior involvement in entrepreneurship, particularly with younger entrepreneurs.

³⁰ GEM Canada report 2015

³¹ Ibid

³² Zhang 2008 *ibid*, ch. 9

Alberta already has a high level of entrepreneurial culture, but with the economic downturn lead by a transformational change in the oil and gas industry, it is crucial to redesign and re-energize the economy. Denver, for example, has shown that it can be done³³.

There are many talented people out of work with ideas for new businesses. Diversification of our economy is imperative. All of this means that entrepreneurship is critical. There are a growing number of seniors with skills, experience, networks and resources to help build a new economy. Connecting and engaging this asset with the entrepreneurial ecosystem just makes sense.

We recommend, first, a series of roundtable discussions with various stakeholders to flesh out this engagement and consider the “Who, What, Where and How” of doing this. But the “Why” is clear.

Recommendations

Immediate Action: Organize a series of roundtable discussions with stakeholders to flesh out the “Who, What, Where, When”. The “why” is clear

Other next steps:

- a) establish a website and communication network to facilitate connections between senior and younger entrepreneurs.
- b) set-up desks for qualified, interested seniors in co-working spaces of incubator and accelerator hubs.
- c) conduct regular workshops where younger entrepreneurs can present their new business proposals for feedback and possible participation by senior entrepreneurs.

³³ CBC News, Rachel Maclean, :Denver and Calgary: a tale of similar but very different cities. October 19, 2016. <http://www.cbc.ca/news/canada/calgary/denver-calgary-comparison-1.3776682> (accessed April 2017)