Access all areas: Older workers

How the government can help older people in Britain fulfil their true economic potential

Enterprise Nation | ten THE ENTREPRENEURS NETWORK

Foreword

Supporting older people back into work or entrepreneurship must be a key focus if the UK economy is going to reach its full potential. Their wealth of talent can help drive economic growth and reduce the tax burden on younger generations.

This report shows that we're at a crossroads. Do we just accept the 'new normal' of higher economic inactivity among our older population, and walk down the path of reduced productivity, persistent inflation, higher taxes and a smaller economy? Or, can we take the other route – where older generations actively choose to restart their careers, or set up their own businesses, and make a significant difference to our economy? Readers won't be surprised to see that we believe the latter is eminently possible, provided the right support is on offer.

With the average age for an entrepreneur standing at 46 in the UK, it's clear that older people have a huge contribution to make to the small business community, whether that's through starting a business themselves, working for one, or mentoring another founder. This isn't just idle supposition – according to our own Small Business Barometer, 79% of small business founders agreed older people bring a lot of valuable experience – something small firms need in spades, especially when they're first setting out.

But how can we help make this happen? This report suggests a handful of ideas that both government and businesses themselves can spearhead. More targeted support for older people who have never used existing government schemes to find fulfilling employment will need to be prioritised. And business leaders will need to re-evaluate how their companies operate – from recruitment practices to their workplace cultures – to make sure they're not deterring potential older applicants.

There should also be better signposting and easier access to proper training to help older people start businesses of their own. Our research suggests 67% of entrepreneurs aged over 50 think now is a good time to start a business, but many don't know where to begin. It wouldn't cost a fortune to make in-roads here.

Finally, we shouldn't ignore structural challenges which prevent older people from pursuing employment or entrepreneurship. Britain's extortionate childcare costs, for instance, mean many older workers fall out of the workforce earlier than they otherwise would, to lend a hand looking after grandchildren. Pulling down barriers like these would empower older workers to make a freer choice in how they divide their time.

While the pandemic was the catalyst for many to leave the workforce, two years have now elapsed and the reality of not earning or not having the structure of a working day is kicking in. Many older people have now returned to work in some form, but there's still further to go.

Moreover, we believe merely returning to pre-pandemic levels of economic activity among older people shouldn't be the cap of our ambitions. Instead, we should seek to create the conditions for as many people as possible to actively contribute to the economy, whether through employment or entrepreneurship, irrespective of their age.

Let's capitalise on this moment and unleash the knowledge and productivity of these individuals back into the economy.

Emma Jones, CBE
Founder and CEO Enterprise Nation

Introduction

- 67% of entrepreneurs over 50 say now is a good time to start a business
- Just under half (46%) of this group say they started a business for a better work-life balance
- The top reason for over 65s working for themselves is to give back and share their knowledge
- Around a third (35%) of businesses started by over 50s entrepreneurs are side-hustles
- Over 50s are much less likely to feel the impact of the cost of living crisis – only 20% of the 56–65 age group and 13% of over 65s said they'd been affected, compared to an overall average of 79%

"No country can thrive if it turns its back on such a wealth of talent and ability. But for too many, turning 50 is a moment of anxiety about the cliff edge of retirement rather than a moment of anticipation about another two decades of fulfilment." So said Jeremy Hunt at the Spring Budget last March.[1] With the economy still recuperating from the shock of the coronavirus pandemic – with spiralling inflation compounding the impact of sluggish growth – the Chancellor made clear that any chance of a robust recovery would depend on improvements being made across all areas of the economy.

Hunt was at pains to point out that a substantial cohort of the workers who fell out of the labour force during the pandemic were aged over 50 but still some way off from drawing their pensions. The number of people aged 50 to 64 who are economically inactive grew from 3,267,000 in the first quarter of 2020 to 3,556,000 in the first quarter of 2023. That's an increase of 289,000, or roughly equivalent to the entire population of the city of Milton Keynes.[2] The reasons for this group withdrawing from the labour force are multifaceted, but what's certain is that the UK economy is missing out on a considerable resource in their absence. In turn, this is holding back growth, fuelling inflationary pressures, and exacerbating the cost of living crisis both for workers and the economically inactive alike.

Older workers – or as they might perhaps be better dubbed, 'experienced workers' – can and do make a valuable contribution to the economy, whether by returning to the labour force as employees or by starting businesses and employing other people. If we're to restore growth and tackle our other economic challenges, we must help as many people who want to get back into the labour force as possible to do so.

This short report examines how policymakers, businesses and older people themselves can go about doing that. We begin by looking first at why so many older workers have left the labour force. We then turn to what implications this has had for the economy, and could have in the future. Finally, we conclude with a series of recommendations for policymakers and businesses to adopt to help fix the problem.

1. Jeremy Hunt (2023). Spring Budget 2023 speech.
2. Office for National Statistics (2023). LFS: Economically Inactive: UK: All: Aged 50-64: Thousands: SA.

Case study:
Chris Dunn Consulting

Cambridgeshire-based Chris Dunn set up his consulting business the day after his 50th birthday in 2014 following years of working in senior commercial roles in medium to large corporates across UK manufacturing and technology industries.

During his employed career, Chris built multi-million-pound revenue streams from scratch, set up international sales and service networks and was part of a team that turned a loss-making aftermarket organisation into a profitable business unit.

His broad experience meant he was perfectly positioned to launch his next career move at 50 – and set up his own consultancy firm specialising in business development and change management projects.

Becoming an independent consultant also allowed Chris the freedom and the time to give back via mentoring at the Cambridge Judge Business School and on the Help to Grow: Management course as well as to train as an executive coach.

He said: "I'm passionate about the wider economy benefiting from the skills, knowledge, and experience of older people.

"Running my own small business over these last nine years has really accelerated my own learning and professional development.

"It's also allowed me to truly appreciate the day-to-day challenges the 5.6 million SMEs that power the UK economy are experiencing right now.

"One of which is having access to 'go to people' from outside of the company who can act as a 'sounding board' for issues and opportunities and offer independent guidance and feedback.

"There are thousands of over 50s just like me who are not ready to retire but instead are actively supporting the next generation of business leaders by sharing their knowledge, skills, and experience in a variety of different ways.

"Many more could do so, and this would in my view 'move the needle' on both the current skills shortage and the productivity crisis."

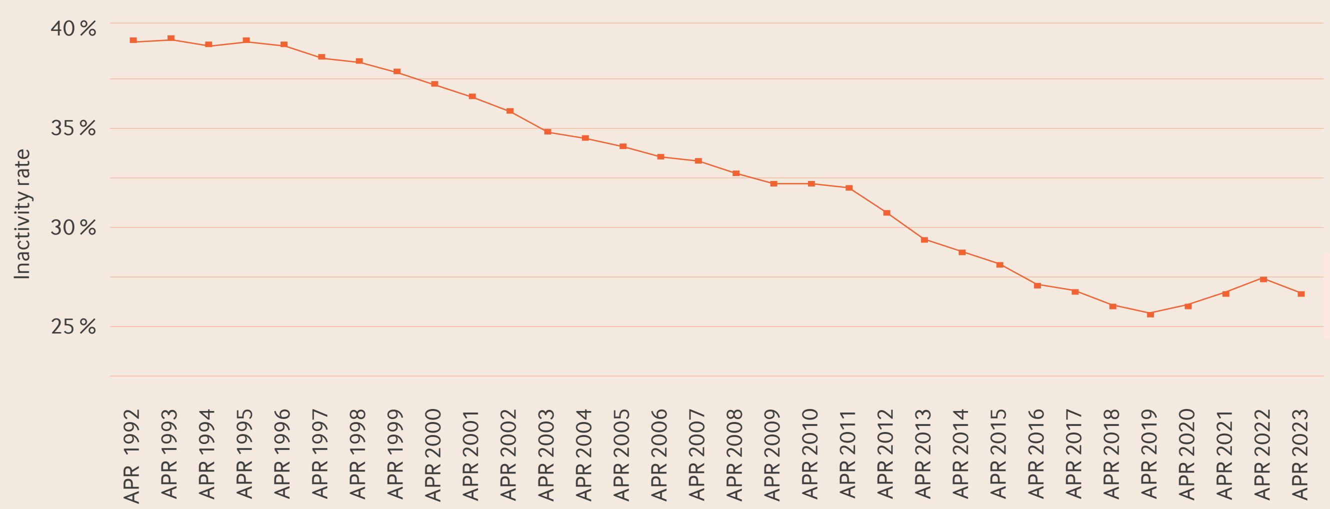
"I'm passionate about the wider economy benefiting from the skills, knowledge, and experience of older people."

Roots of the problem

A long list of reasons lies behind the recent trend of an unusually high number of older workers exiting the workforce before retirement age. Indeed, because of the scale and complexity of the matter, it would be foolish to assume there could be one simple explanation.

What is clear, however, is that the COVID-19 pandemic was the key trigger moment for the rise in economic inactivity among older workers. Until the pandemic struck, the rate of economic inactivity for people aged between 50 and 64 had been trending steadily downwards – from 31.8% at the start of 2010 to 25.5% at the start of 2020. As 2023 began, however, it had hit 27.2%.

Chart 1: Economic inactivity rate of people aged 50 to 64 in the UK



Office of National Statistics

Until the pandemic struck, the rate of economic inactivity for people aged between 50 and 64 had been trending steadily downwards – from 31.8% at the start of 2010 to 25.5% at the start of 2020.

But while the pandemic might be the headline explanation, this doesn't reveal much about the underlying causes. To understand these, we need to dig deeper.

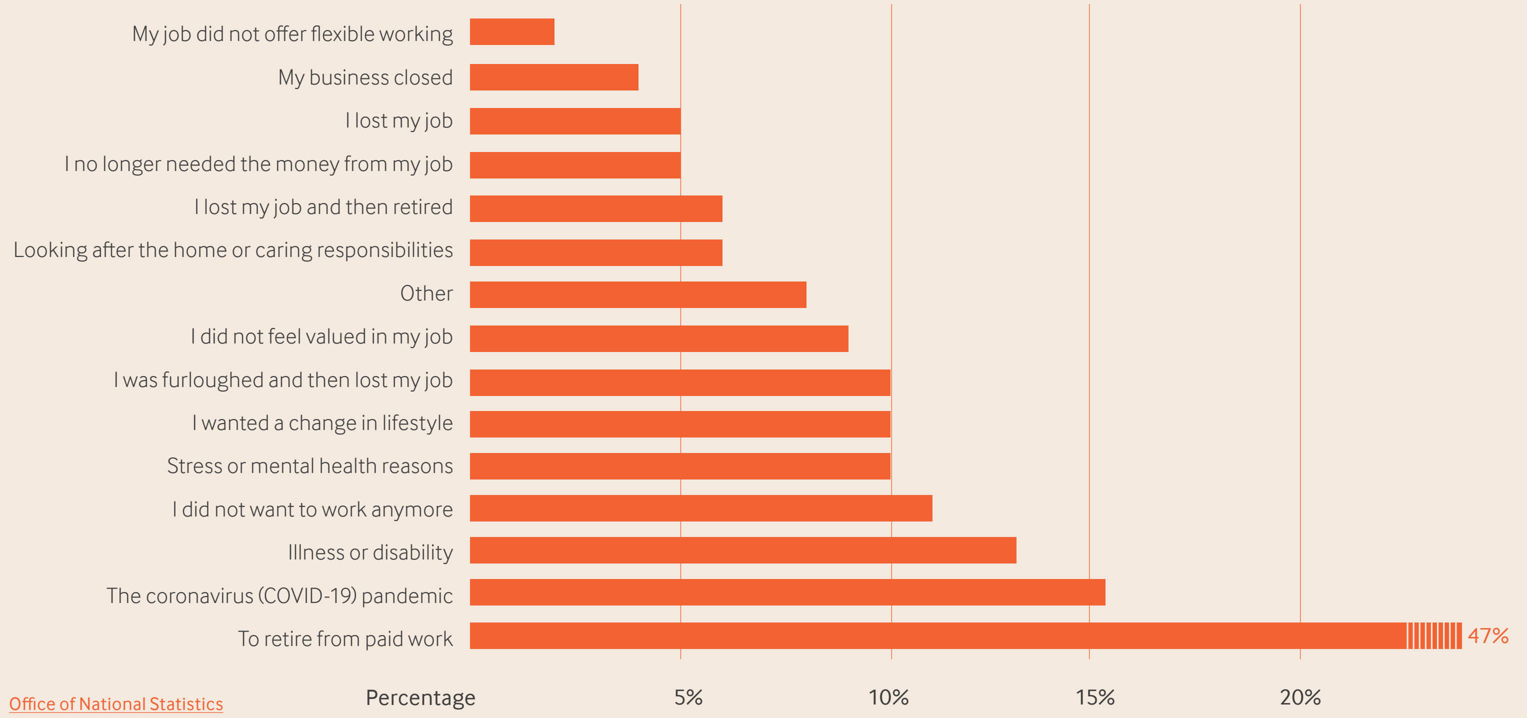
Anecdotally, many of us may remember using the pandemic as a moment to re-evaluate our lives, especially with regard to our working patterns. For older workers in particular, this often meant prioritising work less and leisure more. Not unrelatedly: as a whole, the British public managed to accumulate a great deal of savings during the lockdown periods, which would have allowed some older workers to retire earlier than expected.

However, there are also less positive explanations for older workers dropping out of the labour force prematurely. The pandemic was first and foremost a health crisis, which saw some people having to stop work because they were physically unable to continue – whether because of COVID-19 directly, or due to other health conditions going untreated because of mounting backlogs in the NHS. Also, some older workers will have stopped working not because they themselves became unable to work, but because they had to look after a partner or relative who had.

On top of all this, there were, of course, the economic challenges of the pandemic. People lost their jobs and were made redundant, while businesses went bust. These difficulties also resulted in lots of people leaving the labour force, including older workers.

This anecdotal evidence is also backed up by more rigorous research. The Office for National Statistics' *Over 50s Lifestyle Survey* allows us to empirically approach the question of why so many older workers left the labour force after the onset of the pandemic. Carried out at the start of 2022, the survey aimed specifically to analyse the attitudes of over 50s workers who had left employment since the start of the pandemic, and their reasons for doing so.[3]

Chart 2: Reasons for over-50s leaving work since the pandemic



Office of National Statistics

Among those who haven't returned to, and aren't currently looking for, paid work, the survey found that the primary reason for people leaving their previous job was to retire (47%). After that, the reasons were the COVID-19 pandemic (15%), illness and disability (13%), not wanting to work anymore (11%), wanting a change in lifestyle (10%), stress and mental health reasons (10%), and not feeling valued at work (9%).

46% of entrepreneurs over 50 said they had started a business for a better work-life balance.

Another question the *Over 50s Lifestyle Survey* examined was why older people who have left the labour force haven't returned. The most common reasons given were retirement (62%), not wanting to work anymore (15%), illness and disability (14%), a change in lifestyle (11%), stress and mental health reasons (9%) and caring responsibilities or looking after the home (9%).

One final point of interest from the *Over 50s Lifestyle Survey* which warrants close inspection centres on a question which asked what would make older people return to the labour force. Among those who said they would consider coming back to work, 54% gave their reason as a desire for social company or a job they would enjoy. Other reasons included money (52%), a job that suited their skills and experience (45%), improving their mental health (35%) and if there were changes to their cost of living (27%).

Enterprise Nation's *Small Business Barometer* for the second quarter of 2023 found 46% of entrepreneurs over 50 said they had started a business for a better work-life balance.[4] The top reason for the over 65s was to use a skill and give back to society. That suggests their knowledge and experience could also be harnessed as part of a national network of mentors – such as those recently recruited over the past 12 months as part of the government's Help to Grow: Management Course.

What's apparent from all of these data points is the multifaceted nature of the matter in question. A variety of reasons can explain why so many older people initially left the labour force, why they haven't returned to the labour force, and what could entice them to return in the future.

54% of those who said they would consider coming back to work gave their reason as a desire for social company or a job they would enjoy.

3. Office for National Statistics (2022). Reasons workers aged 50 years and over left employment during the coronavirus (COVID-19) pandemic, by age.
4. Enterprise Nation (2023). Small businesses postponing investment plans as they cope with higher costs.

Consequences of the problem

Just as there are many underlying causes of the rise in economic inactivity among older people, so too are the consequences it poses for the economy and society in general. In this section, we shall briefly explore some of the main examples of these. The examples we focus on are by no means exhaustive, but stand out as warranting particular attention.

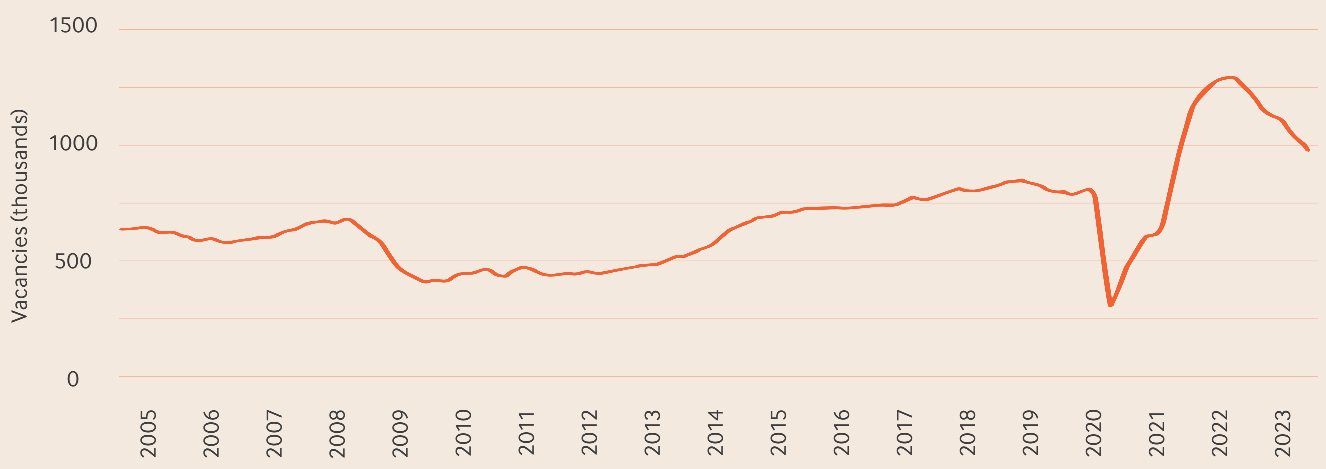
Exacerbating inflation

Holding everything else constant, a reduction in the supply of labour will cause a rise in the price of labour – otherwise known as wages. From a worker's perspective, rising wages may seem like a good thing. But if the cause of their rise is simply down to supply constraints – rather than things like increased productivity – this will only create upward inflationary pressures, which will erode their value accordingly.

As shown in the chart below, labour market vacancies in the UK actually peaked back in early 2022. But recent data still suggest that there are over one million current vacancies – far above the level seen before the pandemic.[5] Older workers leaving the labour force earlier than anticipated cannot explain all of these vacancies, but it stands to reason that they're a contributing factor.

It's important to note that not all inflation is necessarily bad. Mild and controlled inflation can be a sign of a healthy, growing economy. But at higher levels – such as we're experiencing right now – it can hamper long-term economic growth by reducing incentives to save and invest, harming international competitiveness, creating business uncertainty, and so on.

Chart 3: Vacancies in the UK



Office of National Statistics

5. Office for National Statistics (2023). Vacancies and jobs in the UK: September 2023.

Even if a business that loses an older worker is able to replace them with somebody else, it's unlikely to be a like-for-like switch.

Slowing growth and hampering productivity

Businesses need workers to get things done. To put it crudely, in an economic sense, people are just as much of an input as the capital equipment and the raw resources they work with. All else being equal, fewer workers means less output. In the long run, some businesses might be able to economise on their demand for labour – perhaps investing instead in efficiency or automation – but for many a simple fact will remain: labour constraints will limit their physical ability to produce goods and services.

Even if a business that loses an older worker is able to replace them with somebody else, it's unlikely to be a like-for-like switch. It can take time to settle into a new job, and research from Oxford Economics has found that it takes recently hired professional workers several months to reach full productivity – which has an attached cost of £25,200 per employee on average.[6] Moreover, in the real world, businesses can't simply hire people at the drop of a hat – it takes time to advertise positions and recruit the right people. Frictions like this will mean businesses won't be able to press on with projects or whatever it is they produce as quickly as they might ideally wish.

Lastly, it's worth considering how a smaller labour market affects productivity (and thus economic growth) in a more dynamic sense. As Adam Smith famously remarked, the division of labour – which permits specialisation, a primary source of increasing productivity in modern economies – is limited by the extent of the market.[7] Larger labour markets let people take on more specialised jobs, which sees them produce more in the long run. Smaller labour markets mean the opposite – so it's logical that the significant number of older workers exiting the labour force will inhibit the extent to which specialisation can occur.

6. Oxford Economics (2014). Understand the Financial Impact of Staff Turnover.
7. Adam Smith (1776). An Inquiry into the Nature and Causes of the Wealth of Nations..

Changing fiscal considerations

A cynical view of why the government is so keen to get more older people back into the labour force relates to the shape of the public finances. While virtually everyone in society pays taxes in one form or another, some pay more than others. Workers certainly fall into that latter category – being subject to things such as income tax and National Insurance contributions. Together, these taxes raised £427 billion for the Exchequer in 2022/2023, more than two fifths of total government revenues.[8]

Older workers, too, are particularly high earners, and so represent a considerable portion of the overall tax base. Though a worker's median weekly earnings typically peak when they're in their 40s, those aged over 50 still generally earn more than people in their 30s, and much more than people in their 20s or younger.[9]

It's also worth thinking about how other taxes might be affected by the number of older workers dropping out of the labour force. When some of those workers retired, they may have done so on the assumption that they'd have enough financial resources to manage. But the rising cost of living will have almost certainly changed this – indeed, it appears that rising inflation is already prompting some older people to return to the labour force. For those who don't want to return – but do nonetheless need to tighten their belts in the face of unexpectedly quickly rising prices – they may respond by changing or reducing their consumption patterns. In turn, this would foreseeably lower receipts like VAT, excise duties and import tariffs.

What all of this uncertainty means is that, if public spending is to remain constant, the government will need to find new sources of revenue. It wouldn't be unimaginable to assume this could materialise in the form of higher taxes on younger workers and corporations, for example. While it would be wrong to generalise too much, skewing the public finances towards an ever narrower tax base is generally seen as a bad thing to do – and could result in other issues, such as lower economic growth, which would do nothing at all to help our current situation.

What's more, up to this point we've only focused on the tax side of the fiscal equation. The rise in older workers leaving the labour market has caused concern that it will place an increased burden on the state, if those newly economically inactive people fall into problems caused by not working. A classic example of this might be if they develop health conditions as a result of being economically inactive. For instance, many people are becoming increasingly aware of the mental health benefits of being active in work and having access to a network of colleagues to talk to. It's too early to say that the older people who left work during the pandemic are now costing the taxpayer much more than they were previously (or will in future). But it stands to reason that this new state of affairs gives grounds for central and local governments to think about changing demands that may be put upon them.

8. House of Commons Library (2023). Tax statistics: An overview.
9. Office for National Statistics (2022). Employee earnings in the UK: 2022.

Solutions to the problem

If we're to get more older people who want to work back into the labour market, it will require a concerted effort from businesses, the government, and, perhaps most of all, the individuals in question themselves.

Already, it appears that a portion of the older workers who left work during the pandemic are now returning to employment and enterprise – both for positive reasons (such as finding opportunities that suit their needs, and finding a better work-life balance), as well as less positive ones (such as reacting to the rise in the cost of living).

But if we're to truly harness older people's "wealth of talent and ability", as the Chancellor puts it, we cannot sit idly by and simply hope for the situation to revert back to normal.[10] In this section, we take a look at some of the ideas which have been put forward to encourage more older people to become economically active.

10. This is not to say the Government is doing nothing – far from it. Just in the most recent Budget, the Chancellor announced that the number of people getting 'midlife MOTs' will increase fivefold, that a new kind of apprenticeship targeted at the over 50s who want to return to work will be introduced, and that the Lifetime Allowance for pensions will be abolished; Jeremy Hunt (2023). Spring Budget 2023 speech.
11. Learning and Work Institute (2022). Towards full employment.
12. Work and Pensions Committee (2023). Plan for Jobs and employment support.
13. OECD (2022). Is Childcare Affordable?

For government:

Improve support for older people who want to get back into work or self-employment

For many older people who became economically inactive during the pandemic, this would have been a new experience for them. As a result, they might not have been accustomed to turning for help to get back into work or start a business for that matter. The government does offer support in various forms, but according to the Learning and Work Institute, employment support currently engages only one in 10 out-of-work disabled people and 50- to 64-year-olds each year.[11]

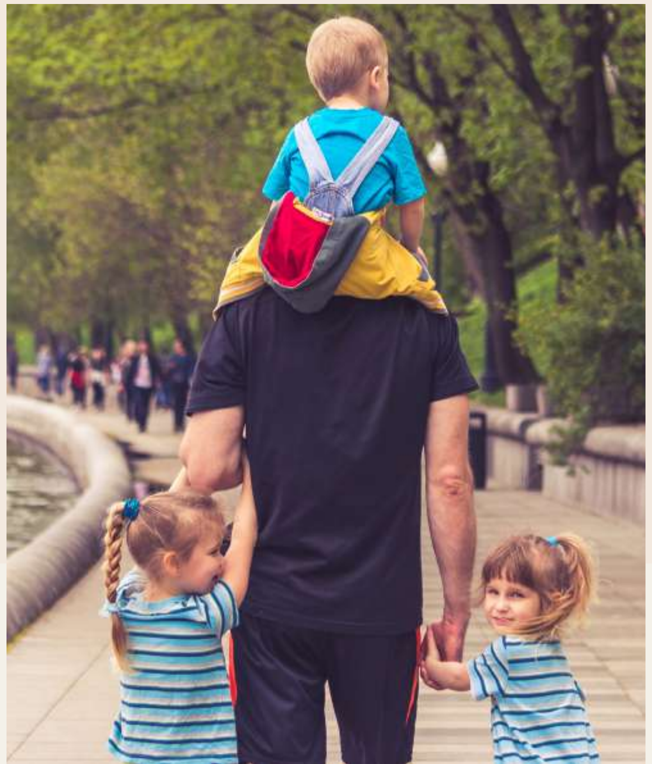
Similarly, a recent Work and Pensions Committee report criticised the numerous employment support programmes that the Department for Work and Pensions (DWP) currently offers.[12] It argued that more people could benefit from Access to Work – a government initiative to help people with physical or mental health conditions to get or stay in work – than do currently, saying that the scheme needs to be better promoted. It also recommended making Work Adjustment Passports available to all participants, as well as modernising the system so that people can submit documentation online. We think these proposals would help at the margin to get more older people back into work and that there is merit in the government exploring them further.

35%

of businesses set up by people over 50 are side hustles

Further reform childcare regulations to free up older people who are acting as carers

One of the leading explanations for why older people are economically inactive is because they're looking after grandchildren. This arrangement may well work for many families, but one of the underlying reasons why it's so common is that the UK has extremely high childcare costs relative to other economies.[13] The government has recently taken some action to reduce these costs, but without further measures, it's likely that the UK will remain an outlier in just how expensive it is to have a child looked after. Liberalising things such as child-to-staff ratios at nurseries and other regulations that would-be childminders have to adhere to would increase the supply of childcare providers, and reduce the cost accordingly. This in turn ought to allow more older people to stay in their jobs, return to the labour force or start some kind of enterprise. According to Enterprise Nation, 35% of businesses set up by people over 50 are side hustles. One of the opportunities it might open up is for older people to make careers of the help they already provide.



For businesses:

Tackle ageism in the workplace and during hiring processes, and promote an inclusive work culture

According to research from the Centre for Ageing Better, 36% of people aged over 50 think their age puts them at a disadvantage when searching for a job.[14] Sadly, research carried out last year by the Chartered Management Institute seems to corroborate this belief – its poll found that just four in 10 managers were to a "large extent" open to hiring workers aged between 50 and 64.[15]

In the same research, the Centre for Ageing Better also found that the stage at which older people (those aged 50 to 69) feel most disadvantaged because of their age was the application process. One way to guard against this might be for businesses to think hard about what information they need to see on a CV, and how they frame their job descriptions.[16]

Businesses should also consider what sort of workplace 'culture' they have, and what – potentially unappealing – signals it might send to certain groups, including older people. In a recent interview, the Work and Pensions Secretary, Mel Stride, noted how it was down to employers to make older staff feel welcome, and pressed them to ensure that their workplace culture or stance on social issues did not alienate the over-50s.[17]

Businesses should also consider what sort of workplace 'culture' they have, and what – potentially unappealing – signals it might send to certain groups, including older people.

Consider allowing more flexible working arrangements for the people who need them

Flexible working has become far more commonplace since the pandemic, and is something that older people appear to value especially highly. In the *Over 50s Life Survey*, of those surveyed who would consider returning to work, flexible working was the most important aspect of choosing a new job (36%), followed by working from home (18%) and something that fits around caring responsibilities (16%). That clearly indicates a desire among older workers to have flexibility built into their working patterns.

While it's not for us to say how individual managers should run their businesses, being open-minded about working arrangements for their staff could help them reach a wider audience of potential employees, including older workers. Explicitly advertising a willingness to offer flexibility in job adverts could also result in more older people applying.

14. Ageing Better (2021). Too much experience.
15. Chartered Management Institute (2023). Employers shying away from hiring the over-50s despite labour crunch.
16. Ageing Better (2021). Too much experience.
17. Geraldine Scott (2023). Get on your (Deliveroo) bike if you need to work, minister tells over-50s.

Many older people will have already built up close networks, which they can draw on to increase their chances of their entrepreneurship seeing success.

For older people:

Entrepreneurship as an opportunity

So far, much of the analysis and recommendations in this paper have come from the perspective of seeing what can be done to get more older people to return to work as employees. But another route – and potentially one that's especially suited to this group of people – is for them to pursue entrepreneurship.

Contrary to the popular image of business founders being go-getting twentysomethings, Enterprise Nation's most recent *Small Business Barometer* found that the average age of the UK's business founders was 46, and that 35% of businesses are started and run by people over 50. These data show that age is no barrier to entrepreneurship, and could be a viable option for older people looking to take part in the economy once again.

There are several reasons why older people may be well-suited to entrepreneurship. Perhaps most obviously, they tend to come with a relative wealth of experience of the working world, even if they've had gaps in employment. Through this, they'll have honed both their general skills and industry-specific knowledge, which puts them in a strong position to effectively manage a business and make a success of it.

Closely related to this, many older people will have already built up close networks, which they can draw on to increase their chances of their entrepreneurship seeing success. Networks are vital for entrepreneurs – whether in terms of having customers to sell to, or investors to receive funding from, or when it comes to hiring talent or finding a business partner. Again, leveraging these ready-made relationships can significantly reduce the barriers to entry and increase the likelihood of success.

According to a House of Lords Economic Affairs Committee report, many of those people who have left the labour market are "reasonably well-off".[18] Other data corroborate this, such as an Office for National Statistics analysis, which found that, among adults aged 50 to 65 who have left or lost their job since the start of the pandemic and haven't returned to work, most (66%) reported owning their homes outright, and that they were more likely than not to be debt-free (61%).[19] According to Enterprise Nation's *Small Business Barometer*, of entrepreneurs who are in this category, only 20% of people aged 56 to 65 and 13% of the over 65s said they'd been affected, compared to an overall average of 79%.[20]

This strong financial position can obviously give such individuals a leg-up when it comes to going into entrepreneurship. They may well have the resources not only to start a business, but also to do so without the immediate pressure to make significant profits, which boosts the chances of long-term success.

Finally, while not necessarily a reason that helps older people to do well in entrepreneurship, the flexibility it may offer should nonetheless be seen as attractive to them. As we noted earlier, flexibility seems to be especially important to this group of people, and as such going into entrepreneurship rather than working for an employer could let them balance taking part in the economy more fully, while also retaining the freedoms to which they've become accustomed since the pandemic struck and they left the labour market.

18. House of Lords Economic Affairs Committee (2022). Where have all the workers gone?
19. Office for National Statistics (2022). Reasons for workers aged over 50 years leaving employment since the start of the coronavirus pandemic: wave 2.
20. Enterprise Nation (2023). Small businesses postponing investment plans as they cope with higher costs.

Having considered all this, however, while it's all well and good to encourage older people to embark on an entrepreneurial venture, it's quite another to make sure they actually do it. It would be impossible to list all of the things a single government could do to tilt the scales in favour of more people starting businesses. Some will be about subtly changing the business environment in which entrepreneurs (or would-be entrepreneurs) operate, but there's precedent for more specific and targeted support to promote and facilitate entrepreneurship.

In 2011, the DWP introduced the New Enterprise Allowance (NEA) to provide unemployed people who wanted to start their own businesses with mentoring support and financial assistance. Recipients got an allowance of £65 per week for the first 13 weeks, which fell to £33 per week for the subsequent 13 weeks. Participants also had access to the Start-Up Loans scheme if they need additional financial support to launch the business.

The NEA was not an entirely original initiative, with each of the Thatcher, Major, Blair and Brown governments having introduced similar policies. For example, the Enterprise Allowance Scheme (EAS) came into effect in 1983, and for up to a year provided a weekly allowance of £40 to people who were aged 18 to 65, had been unemployed for at least eight weeks, and wanted to start their own business. To be eligible for support, though, participants needed to be able to invest £1,000 of their own money (either from savings or a bank loan) in the business.[21]

Last year, the DWP released statistics on the first 10 years of the NEA, which showed it to have been successful. The NEA programme had seen 299,000 starts, by 276,000 individuals, from which 157,000 individuals had established 161,000 businesses. Consequently, nearly three fifths of individuals starting on the NEA successfully went on to set up a business. The statistics also showed that, since the NEA began, the average proportion of participants who were off benefits for 26 weeks continuously after they started their business was around 82%.[22]

As well as proving effective at supporting benefit claimants to move out of unemployment, the NEA was notably successful at helping older people and people with a disability. Under the scheme, people over 50 founded more than 36,000 businesses (23% of the total number started), while disabled claimants set up more than 33,000 (21% of the total).[23]

The NEA garnered praise from organisations involved in helping people out of unemployment and economic inactivity. In written evidence to a Work and Pensions Committee inquiry, the Shaw Trust described the scheme as being "hugely successful",[24] while the Employment Related Services Association argued that the "NEA was successful and much-needed".[25]

Despite this general impression of success, however, the DWP closed the NEA for new applicants in January 2022, and has not yet announced a replacement for the scheme. It isn't entirely clear why the government made the decision to close, but we think this constitutes a significant backwards step, and makes it more difficult for older people to set up businesses.

A revamped EAS won't help every older person who wants to rejoin the labour force to do so, but it's shown precedent for success before.

The government should look at reintroducing the NEA. But it should also think hard about how to reform the scheme too. The aforementioned EAS, for instance, appears to have been even more successful than the NEA. Analysis from the World Bank has estimated that the EAS cost less than £5,000 (adjusted for inflation) for every job it created, and that for every 100 successful participants, 64 additional jobs were created.[26]

One reason why the EAS was so effective seems to be because of the level of financial support it offered people who took part. In the 1980s, participants received slightly more money than they would under Jobseeker's Allowance (JSA). Fast forward to the NEA, however, and recipients were being awarded around a quarter less than they would under JSA. Moreover, the NEA only lasted half a year; the original EAS offered support for a full 12 months.

A revamped EAS won't help every older person who wants to rejoin the labour force to do so, but it's shown precedent for success before. As such, we recommend the government announces a similar scheme to replace the now discontinued NEA. If it believes that it makes sense to trial the programme first, that would be no bad thing, not least if it means learning additional lessons around how best to apply the scheme on a national basis.

21. House of Commons Library (2019). New Enterprise Allowance.
22. Department for Work and Pensions (2022). New Enterprise Allowance statistics: April 2011 to December 2021.
23. Ibid.
24. Shaw Trust (2023). Written evidence from the Shaw Trust JES0012.
25. Employment Related Services Association (2023). Written evidence from the Employment Related Services Association (ERSA) JES0060.
26. World Bank (1994). Promotion of Self-Employment: Experience in OECD and Transitional Economies.

Conclusion

The exodus of older people from the labour force since the pandemic presents a concerning trend, with far-reaching implications.

It risks a shrinking economy, less productivity, higher inflation, and potentially significant challenges to the public finances. To address this situation, it's imperative for both policymakers and businesses to leave no stone unturned in addressing the underlying reasons for why so many older people have stopped working. It will also be down to those individuals themselves to become economically active again, although that isn't to say there aren't things the government can do to ease that process.

Whether it's returning to the labour force as employees or entrepreneurs, older workers have a wealth of experience and talent to offer, and would make solving our current economic challenges a much more realistic prospect.

Acknowledgements

Enterprise Nation and The Entrepreneurs Network produced this report.

Enterprise Nation is a business support platform and membership community delivering support to more than 750,000 small businesses every year. Its aim is to help people turn their good ideas into great businesses – through expert advice, events, acceleration support and networking.

Enterprise Nation was founded in 2005 by British entrepreneur Emma Jones CBE, also co-founder of national enterprise campaign StartUp Britain. She is author of best-selling business books and is a frequently called-on and regular media commentator on a range of issues which affect the UK's growing number of SMEs.

www.enterprisenation.com

The Entrepreneurs Network is a think tank for Britain's most ambitious entrepreneurs. We support entrepreneurs by:

– Producing cutting-edge research into the best policies to support entrepreneurship;

– Campaigning for policy changes that will help entrepreneurship flourish;

– Hosting regular events to bridge the gap between entrepreneurs and policymakers;

– Updating entrepreneurs on how policy changes will impact their business;

– Making the case in the media for entrepreneurs' contributions to society.

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Small businesses need access to succeed

That includes

- Access to finance – to spur their growth
- Access to people – including mentors, networks, investors, trusted experts and employees
- Access to markets – both domestic and international
- Access to government – whether for procurement or lobbying
- Access to space – fairly to grow

Access all areas: Older workers is the sixth in a series of briefing papers from Enterprise Nation and The Entrepreneurs Network on key areas of policy for start-up and small business owners.

Informing the report are meetings with the Small Business Forum, a group of 20 business owners who provide valuable insights about the challenges SMEs are facing.