

**All Party Parliamentary Small Business
Group
Inquiry into the Role of Entrepreneurs in
Driving Economic Growth**

**Written evidence submitted by the Prince's
Initiative for Mature Enterprise (PRIME)
13th January 2012**



**Small Business All Party Group Inquiry into the Role of Entrepreneurs in Driving
Economic Growth**

The Prince's Initiative for Mature Enterprise (PRIME) welcomes this inquiry into the role of entrepreneurs in driving economic growth by the All Party Parliamentary Small Business Group.

About the Prince's Initiative for Mature Enterprise

We are a UK charity, registered with the Charity Commission and a not for profit company registered in the UK. The Prince's Initiative for Mature Enterprise was established in 1999 by His Royal Highness, The Prince of Wales. We are the only national organisation dedicated to providing mature workers with support to set up their own businesses.

The Prince's Initiative for Mature Enterprise believes that the role of entrepreneurs in driving economic growth is a critical issue for parliament to address, particularly for the older age group of 50 – 64 year olds (for the purpose of this evidence we will refer to this age group as the mature worker / mature workers). The Department for Work and Pensions states that: 'By the early 2030s, people aged over 50 will comprise almost a third of the workforce and half the adult population.'

Our work brings us into contact with over five thousand 50 – 64 year olds per year facing redundancy or already unemployed. We explore self-employment as a viable work option with our clients. In particular, we raise awareness of the opportunities available to them including: mentoring advice; advice on personal development related to self-employment; guidance on grants and other funding; running training workshops with aspects of setting up a business; and also business strategy development and post start-up support. However, this is only the tip of the iceberg.

This support has facilitated the creation of hundreds of new enterprises per year since 1999.

If only 80 – 95 % of these are successful, approximately 500 businesses, and each generated an average turnover of £50,000, this could potentially contribute £25 million to the UK economy per year.

Unleashing the economic opportunity

While the focus of the Government and other political influencers is firmly on younger people, we are concerned there is little understanding of the potential issues and barriers that the unemployed mature worker faces. The Prince's Initiative for Mature Enterprise recognises that this is in part due to a poor evidence base for this age group and a lack of a suitable

policy framework. We believe that action must be taken immediately to achieve the full economic and social potential of this group.

There are 21.3 million people aged 50 and over in the UK (Labour Force Survey, Q2 2011 UK). Of these, **11.3 million are mature workers**, of which only 65% are employed, compared to 80.2% of 25 – 49 year olds. According to the N8 Research Partnership (collaboration of the eight most research intensive universities in the north of England) **over the next 15 years unemployed mature workers are likely to rise from 25% to 33%** of the total due to demographic change; postponing state retirement age; and the abolishment of the default retirement age. A large percentage of this unemployed age group are dependent on state benefits.

According to the Global Entrepreneurship Monitor, Global and UK project Adult Population Survey 2005 -. 2010 conducted by Aston University (GEM Survey), there are 400,000 50 – 64 year olds in the process of setting up their own businesses. However many mature workers face barriers to achieving this.

The two significant barriers to setting up social enterprises identified by mature workers are:

1. Access to finance – 62%, just under two-thirds said this was an issue, compared to 50% of 31 – 49 year olds and 41% of 18 - 30 year olds.

2. Lack of skills – 18% cited this as a concern, compared to almost 12% (almost one fifth) of 31 – 49 year olds and 9% of 18-30 year olds.

(Source: GEM)

In our written evidence below we have answered the questions where we have the most expertise, starting with: **5. The barriers to entrepreneurship for (c) older people (50 and over)**. We also discuss some of the other topics including: **1. The effectiveness of Government policies in place to support entrepreneurs, NEA; 3. The importance of mentors; and 4. Finance (relating issues).**

5 The barriers to entrepreneurship for (c) older people (50 and over)

In 2011 Barclays Bank reported that a quarter of its new business comes from over 50 year olds. In addition, as stated above, the GEM Survey found nearly half a million over 50 year olds are actively seeking to start their own business and contribute to the UK economy.

However, many of our clients find starting a business very challenging. The two most significant barriers are:

- **Access to finance** – The unemployed mature worker often struggles to access appropriate finance. In fact the GEM survey found that this is the biggest issue, with 62% citing it, for 50 – 60 year olds. We work with our clients at the start-up stage and it is in this area where new business finds it difficult to access finance. It is support in the start-up phase that is so desperately needed. This may be in the form of grants, such as our 'Will it Work' grant or in a loan of up to £10,000.

We are very encouraged by developments we have seen recently by the series of announcements from the Government and some of the banks aimed at small and medium sized businesses. We are particularly interested in Santander's Breakthrough Programme; the programme in itself should be commended and supported. It is aimed at businesses that have advanced well beyond the start-up stage to achieve a turnover of between £500,000 and £10 million per annum while posting growth of 20% or more in turnover, profit or employment.

However, programmes such as these tend not to be widely available to the mature worker. We welcome the opportunity to work with Santander and other banks, alongside the Government to help break down this barrier for the mature unemployed.

- **Lack of skills** – The GEM survey found that 18% of mature workers state a lack of relevant skills as a main barrier to setting up a business. In comparison only 9% of 18 – 30 year olds are concerned by this. We surveyed our clients over a nine workshop period. We found that 54% of our clients asked did not have a degree level qualification. Also, 53% had not had any training in the past year. **The 2011 Department for Work and Pensions' (DWP) report (Qualitative Research into enhanced Jobseeker's Allowance provision for the 50+)** listed the following: 'lack of paper qualifications'; not always recognising the transferability of their skills'; and 'being unfamiliar with IT and especially with using the internet to search and apply for jobs-online' as the mature workers' perceived weaknesses.

In addition to the main barriers, below are other problems that mature workers face when starting businesses in the UK:

- **Policy focus on tackling youth unemployment** – We recognise the long term benefits of focusing on this age group. Political momentum is behind tackling youth unemployment with current DWP consultations and ministerial speeches predominantly focusing on this issue. There are numerous government initiatives and

funding invested in to tackling those classified as NEETS (Not in Education, Employment or Training). This term is used to refer to 16 – 24 year olds. However we are concerned that the mature worker could be overlooked.

- **No recognised classification for 50 - 64 year olds** - Often this group is referred to as the older worker and falls under policies designed for those at retirement age and beyond, despite having many active employment years left. In addition there is no minister with responsibility for this area of policy. Therefore it is not surprising that inquiries, such as this one, refer to the mature worker as 'older'.
- **Competition in the market place** - The unemployed mature worker has to compete with the younger, often more skilled workers for employment. Furthermore the Government has introduced tax and other incentives for businesses to employ NEETs. For instance, the Government's Welfare to Work Programme, entitled the 'Work Programme', enlists UK businesses to help tackle long term unemployment through payment by results. It misses the opportunity to encourage entrepreneurialism and tap into the experience of the 50 plus year old market. **While the Prince's Initiative for Mature Enterprise fully supports the Government's efforts to tackle youth unemployment, we wish to take this opportunity to raise awareness of the need for support of the mature unemployed.**
- **Health and confidence issues** – Our research found that 76% of our clients had some form of recognised long standing illness, ailment or impediment that limited their achievements. The previously referenced 2011 DWP report states that 50s plus health issues 'were reported as being more likely to start to feel their health to be imposing on what work they could do.' In particular this was a key concern in relation to those doing manual or physical jobs. In addition, our clients have demonstrated signs of institutionalism, through their concern about the culture of regular job-changing after working for the same employer for many years.
- **Business registration** – Many of our clients encounter difficulties when using Companies House. Although relatively minor, these can be very frustrating and we expect that other age groups have also experienced this. One example is the cataloguing of company registration forms on the Companies House website. These are filed by number, rather than title, making it difficult to decipher the relevant form.

Also, in our discussions with the Minister of State for Business and Enterprise, Mark Prisk, we are aware that it can take a significant number of days to register a company in the UK, compared with approximately one day in other countries such as New Zealand.

1. The effectiveness of Government policies in place to support entrepreneurs.

New Enterprise Allowance (NEA)

We welcome schemes such as the NEA. Research (report by The Work Foundation in January 2011: *Welfare to What? Prospects and Challenges for Employment Recovery*) shows that work incentive schemes (such as the NEA) are more successful within the mature worker age bracket.

However we are concerned that the timescales involved creates barriers. At present applicants for the NEA must have been unemployed for six months. This timescale is doubled if applying for the Government's Work Programme. If an applicant is 50 and over, this is a significant period of their working life, compared to someone in their twenties.

Research by the Federation for Small Businesses suggests that people who became self-employed in the first six months of unemployment are more likely to survive two years after start-up, than those who remained unemployed for longer.

Also, those who were previously unemployed for three – six months before joining the scheme had a 78% business survival rate. Those who were previously unemployed for six – 12 months only had a 59% chance of their business surviving.

The GEM survey found that 48% of over 50s who set up their own businesses were likely to succeed after five years, compared with only 29% of those started by people aged 18 – 49 years old.

We welcome the opportunity to work with the Government to explore ways to capitalise on the golden opportunity presented in the first six months of unemployment, when new start-ups have a higher success rate.

3. The help of mentors

Are mentors useful to people who want to set up a business? If so, how can mentoring be better promoted and taken up?

We also welcome the opportunity to work in partnership with the Government to extend our mentoring offer to enable more people to seek work through self employment. Mentoring is a vital part of our offer to clients.

In 2011 we mentored 42 clients, ranging from one to eight month duration. Below is a testimonial from one of our clients.

“My mentor and I meet in a coffee shop approximately every six weeks. During the meeting I can use the time however I need – whether it’s to share milestones reached or setbacks experienced (and there have been plenty of those). Working on your own can be lonely and you have to be persistent. Every knockback has to be bounced back from and having a supportive mentor who listens is crucial. Knowing I have my mentor rooting for me and The Prince’s Initiative for Mature Enterprise behind him rooting for me helps me enormously. I am very grateful indeed.” Linda, The Prince’s Initiative for Mature Enterprise mentee, November 2011

4. Finance

Is accessing finance difficult to start ups and small businesses? Why? What are your recommendations on financing start ups and small businesses?

As detailed above, research demonstrates access to finance is considered by mature workers as the most significant barrier to establishing their own businesses. However another key financial issue is as follows:

- **Tax regulation** – Once a business secures finance, entrepreneurs face complicated tax regulation. In particular there is much confusion around the IR35 regulation. It was introduced under the Labour Government in April 2000 to tackle tax avoidance through personal service companies, ‘intermediaries’ legislation’. Essentially it was introduced to tax ‘hidden employment’ at the same rate as employment i.e. prevent workers from setting up limited companies in which they would work effectively as employees, but saving on tax.

However, IR35 has been strongly criticised owing to its complexity and its impact on honest small businesses. Self-employed people must ensure they make their own personal provisions for adverse scenario. They take much more of a risk than standard employees, and income is not always guaranteed.

Furthermore, under IR35 the self-employed are taxed as if they were employees, yet they do not receive some of the legal, state and other benefits received by genuine employees. It has been argued that IR35 makes small businesses uncompetitive with large consultancies and encourages off-shoring. In June 2010 the Government announced plans to abolishing IR35. Subsequently, the Chancellor announced plans

to change the administration of IR35. The outcome of these changes is not clear. **We welcome clarity on IR35 tax regulation.**

Why do some groups in society struggle more than others as entrepreneurs?

As presented above, we believe the potential of the mature worker is often underestimated by policy makers. This results in poorly designed programmes and initiatives that do not match the group's needs. Essentially, The Prince's Initiative for Mature Enterprise believes the lack of a policy framework for mature workers will result in a lost generation of people who would make a significant economic and social impact contribution to society.

What could be done to address this specific group?

Over the last six months we have undertaken a strategic review and reorganisation to adapt to changing economic times and improve our services for our clients. We appreciate that our organisation is a unique movement with limited resources and cannot tackle the scale of the problem on its own. While we hope to secure the UK Government and parliament's interest and support in our work, we also believe that more can be done.

We call on Parliament and the Government to commit to establishing a policy framework to tackle the barriers facing mature workers, particularly in relation to setting up social enterprises. However we recognise the time and resources, particularly in the current economic climate, involved in establishing a policy framework.

Therefore, we recommend establishing an independent commission on over 50s social enterprise. While our thinking is at the early stages we would envisage its focus to be to: identify and collate the current evidence base; identify areas for new research; and establish an agenda for action across business; government and academia.

The commission would consist of a group of approximately five to seven leaders and commentators from: business; media; economic; academic; and voluntary sector backgrounds. The chair would be a recognised authority and the commission would report to Government and be facilitated by the Prince's Initiative for Mature Enterprise. We would work in partnership with Government to identify commercial sponsors.

If invited to give oral evidence we will be able to discuss in more detail our recommendations for a policy framework. Also we will elaborate on the following five initiatives and examples of best practice established to help our clients find employment through social enterprise:

1. **Enterprise Hotspots** - focus efforts at local level, with the highest incidences of unemployment among the over 50s
2. **Enterprise for Equality** – work with other organisations to help over 50s who are disadvantaged due to personal characteristics
3. **Employment to Enterprise** – target the mature worker about to become redundant. Making the case to the employer to redirect some redundancy funds into seed capital, which the employee and the Prince's Initiative for Mature Enterprise can use to establish their own business
4. **Government Enterprise Partnership** – seek to help our clients through the Government's Work Programme and other public sector initiatives. We have been named in 12 of the 18 tenders by successful bidders
5. **Enterprise Direct** – enhance our direct communication with our clients through the use of appropriate technology and access to the media, particularly electronic media

We have been reaching out to the business community to establish partnerships to help our clients.

Conclusion

We would like to thank the All Party Parliamentary Small Business Group for its attention to our written evidence. The Prince's Initiative for Mature Enterprise believes this is a critical issue for people 50 – 64 years old who are unemployed and interested in setting up their own businesses. Research demonstrates access to finance and a lack of skills are perceived by the over 50s to be the most significant challenges they face, along with tax regulation, health and other concerns.

Our work is helping hundreds of budding mature entrepreneurs, but we want to help more. We have identified the need for a policy framework for the over 50s. To achieve this we recommend establishing an independent commission to understand the extent of the issue and produce an agenda for action and suggested policy.

Finally, we would like to take this opportunity to state our interest in giving oral evidence next month. We are available at 9:30am – 11am on all the suggested dates, 8th and 22nd February and 1st March.

Ends

**The Prince's Initiative for Mature Enterprise
13th January 2012**