

Economics in Brief



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Generation of low birth rates accelerates trend in older self-employed workers

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After the baby boom generation, a generation of low birth rates took over in Germany in the early 1970s. As a result, the working-age population is becoming older and growing significantly.¹ The consequences of this are also already being seen among the self-employed.

Self-employed generally older than employees

In 2012, 23% of self-employed people were under 40 years of age and close to 44% were over 50 (see figure). This means that self-employed workers are significantly older than employees (corresponding figures: 46% and 28% respectively). This is largely down to the fact that people often take the step to become self-employed during the course of their professional life, rather than at the start of their career. For example, 57% of start-up founders in 2012 were 35 or older.²

The fact that they are more likely to continue working past the statutory retirement age than their employed counterparts also contributes to the higher age of self-employed people overall. A number of start-up booms (for example, during German reunification) also caused a shift in the age structure of the self-employed towards older entrepreneurs in the following years.

Sharp decline among younger self-employed since the mid-1990s

Since 1995, the proportion of self-employed people under 40 has dropped by 35%. This trend accelerated rapidly after 2005. This slump among younger self-employed workers is attributable both to the entry into the labour market of the low-birth-rate generation and the fact that the start-up ratio – i. e. business founders as a proportion of 18 to 65 year-olds – has declined since 2003.³ The age of start-up founders in the high-

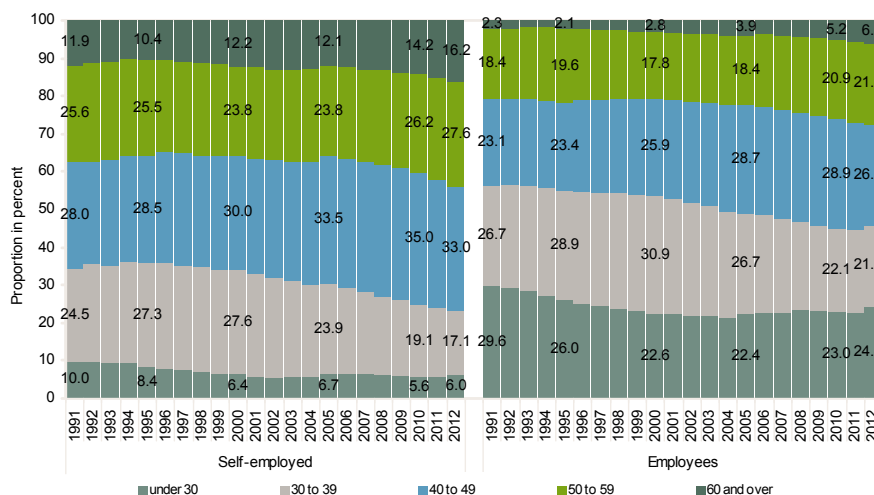
tech sector, for example, has also increased.⁴

In contrast, the proportion of over-50s has climbed significantly among both the self-employed (since 2005) and employees (since 2000). Aside from the demographic trend, the sharp rise in the proportion of employees aged over 60 is primarily attributable to the increase in the actual retirement age resulting from the reduction in early retirement opportunities.

Conclusion

Until the baby boom generation retires in the 2040s, the age structure of the labour force will continue to rise.⁵ This will further shrink the pool from which start-up founders – the next generation of entrepreneurs – are drawn. In all probability, the trend towards older self-employed people will therefore continue in the coming years. And the smaller cohort of new entrepreneurs will likely exacerbate the problem of succession. Early succession planning is needed to safeguard companies' existence and the associated jobs. ■

Figure: Age structure of self-employed workers and employees 1991–2012



Note: Employees = workers and employees, including trainees, but excluding civil servants

Source: German Federal Statistical Office, Microcensus, own calculations

¹ Cf. Borger, K., Lüdemann, E., Zeuner, J. and V. Zimmermann (2013): Deutsches Wirtschaftswachstum in der Demografiefalle: Wo ist der Ausweg [Germany's growth in the demography trap: Where is the way out?] KfW Economic Research, forthcoming.

² Cf. Metzger, G. and K. Ullrich (2013): KfW-Gründungsmonitor 2013 Tabellen- und Methodenband [KfW-Start-up Monitor 2013. Tables and Methodology]. KfW Economic Research.

³ Cf. Metzger, G. and K. Ullrich (2013): KfW-Gründungsmonitor 2013. Gründungsgeschehen auf dem Tiefpunkt – kein Anstieg in Sicht [KfW-Start-up Monitor 2013. Start-up activity hits rock bottom – no revival in sight.] KfW Economic Research.

⁴ Metzger, G., Heger, D., Höwer, D. and G. Licht (2010): High-Tech-Gründungen in Deutschland. Zum Mythos des jungen High-Tech-Gründers [High-tech start-ups in Germany – myth of the young start-up founder.] ZEW and Microsoft (pub.)

⁵ Cf. Fuchs, J.; Söhnlein, D. und B. Weber (2013): Projektion des Arbeitskräfteangebots bis 2050. Rückgang und Alterung sind nicht mehr aufzuhalten. [Labour supply up to 2050: Shrinking and ageing labour force is inevitable] IAB-Kurzbericht 16/2011.