Support start-ups by older PMETs

More can be done to help them become the source, rather than recipients, of job creation

Wong Poh Kam and Ho Yuen Ping

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As Singapore’s economy matures, the need for nurturing high-value-adding jobs for the growing professional, managerial, executive and technical (PMET) workforce has received increased policymaking attention.

Between 2008 and 2018, the supply of PMETs has increased with the share of Singapore’s labour force, with tertiary education qualification rising from 34.6% to 56.2% over the same period.

The dramatic adverse impact of Covid-19 on the economy, and on specific PMET-intensive sectors such as transport and hospitality services in particular, has further heightened awareness of the urgency of the challenge.

To help existing businesses sustain their current PMET jobs and to provide new ones, especially for older PMETs who may be most at risk, a wide range of policy interventions has been introduced by the Government, and additional ones are being debated in Parliament.

But there is an area that deserves greater policy attention: how to encourage older PMETs to become start-up entrepreneurs — making them the source, rather than the recipients, of intervention.

The popular belief is that start-ups are innovation-based, small businesses, and few believe that PMETs, with their expertise and experience, are coming readily to mind.

This is more a myth than reality. A sizeable number of new business start-ups are actually founded by older PMETs who are either 45 years and above or that on average, they are more likely to develop a job creation than young entrepreneurs.

In a recent study covering 2.7 million business start-ups between 2007 and 2014 in the United States, Professor Pierrre-André Assaly from the Massachusetts Institute of Technology and Dr. Javier Miranda at the United States Census Bureau found that the average age of people who founded any business that had a least 1 employee was 42.

Among entrepreneurs who founded start-ups at that age, 10% were risk-takers or innovators. These were people who owned a business, independently owned a business, or had a business that employed a high fraction of their own employees.

Many older PMETs can act as early angel investors or advisers, or take up interim senior management roles in start-ups led by younger entrepreneurs who have the drive and tenacity to succeed.

The policy intervention for this would be to highlight to PMETs the role they can play in the economy.

For example, the Ministry of Education has set up the Singapore Economic Development Board’s (SDEB) Start-up Hub to help PMETs with start-up advisory services.

In the longer term, a strategy to encourage PMETs to start-ups could include the following.

1. **Policy Intervention**
   - PMETs can play a role in starting new businesses in the deep industry domain knowledge and network connections. However, many older people often face a challenge in raising venture capital, and highly specialized industries such as engineering services that few Venture capitalists have the domain expertise to understand the market niche they are targeting and may not be interested in the company’s funding model.

   - The recent effort by the Maritime and Port Authority of Singapore and Enterprise Singapore, in which venture investors will roll out a combined S$60 million in maritime technology start-ups, is a step in the right direction, but more can be done.

   - The engagement of older PMETs in start-ups can provide more than just the start-up opportunities. For instance, hit-up by older entrepreneurs who have the drive and tenacity to succeed, and less business experience, and also other skills and knowledge or connections.

   - Such a general matching, however, does not necessarily increase the value to the company, particularly after a process of mutual learning, the need for technical skills restructuring of older PMETs, and the need to rethink the role expectations on both sides.

   - While a key of the Government’s current skills development policy is to help PMETs with new and emerging skills that may be necessary to enter the PMET training to foster successful change, such as digital literacy, and to develop interpersonal skills, such as team working.

From a long-term perspective, Singapore’s rapidly ageing society will seek in significant growth in the pool of older PMETs, including many reaching the traditional retirement age, but with many who have a longer contribution to the economy.

This is provided the right engagement strategies can be designed, such as stock options or grants, that match to their time preference, for example, adding to the value of the company, and incentivize others to join.

Policy research and policy development could be encouraged to promote productive linkages between the engagement of older PMETs in the economy.


d próxima@pacific.com.sg

Wong Poh Kam is a professor at NUS Business School and formerly the director of the NUS Entrepreneurship Centre, a division of NUS Enterprise. The article was written by Wong Poh Kam and Ho Yuen Ping for the Straits Times and published on October 25, 2020.