University of St Andrew

European Research Council

WORK AND HOME

MICROBUSINESS Research Portal

Home-based Businesses and Regional Development

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Structure of presentation

1. Context
2. Home-based businesses in UK regions and counties
3. Significance for the economy
4. Longitudinal study of microbusiness growth
5. Results of FSB study in Scotland
6. Policy recommendations

The home as place for business and self-employed work

Photo courtesy of Ivan Raszl

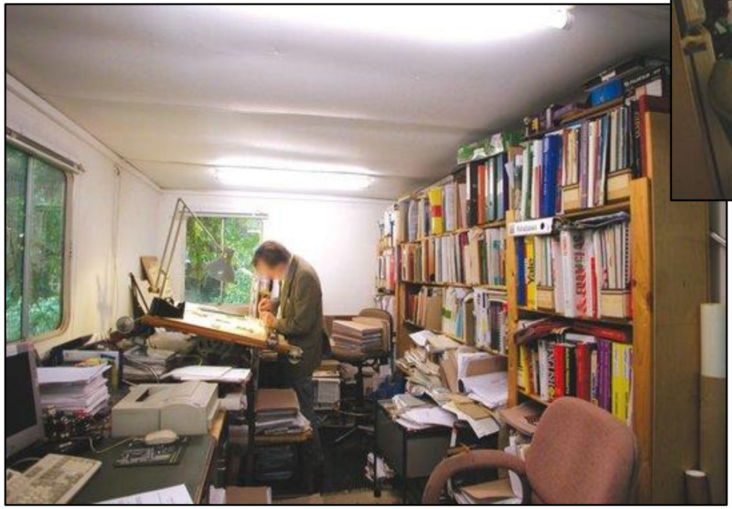
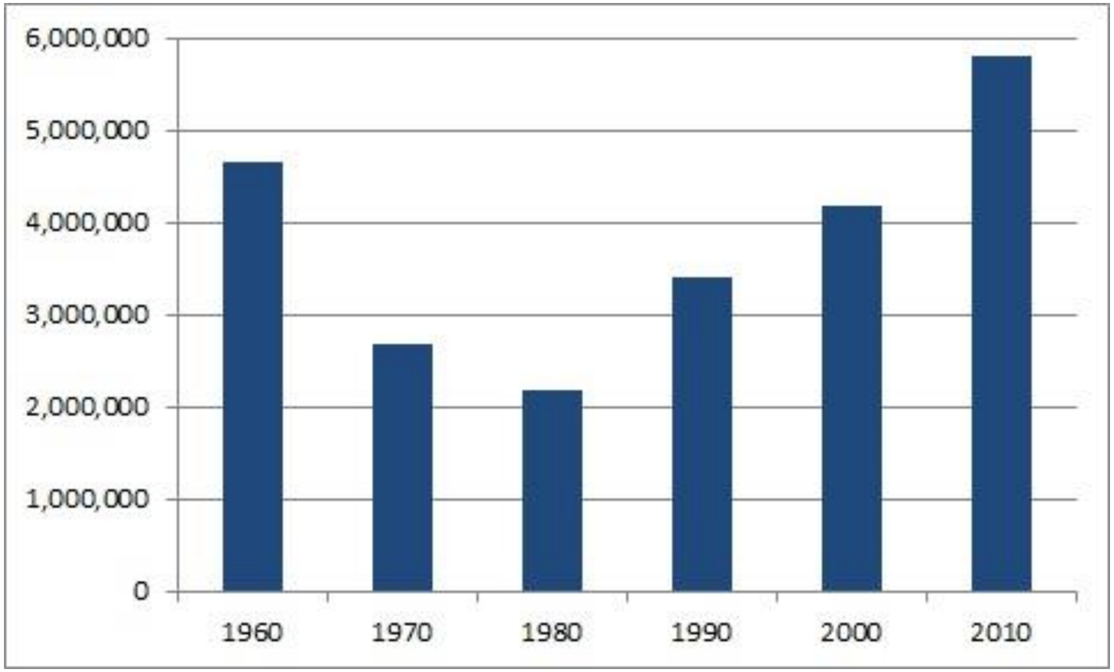


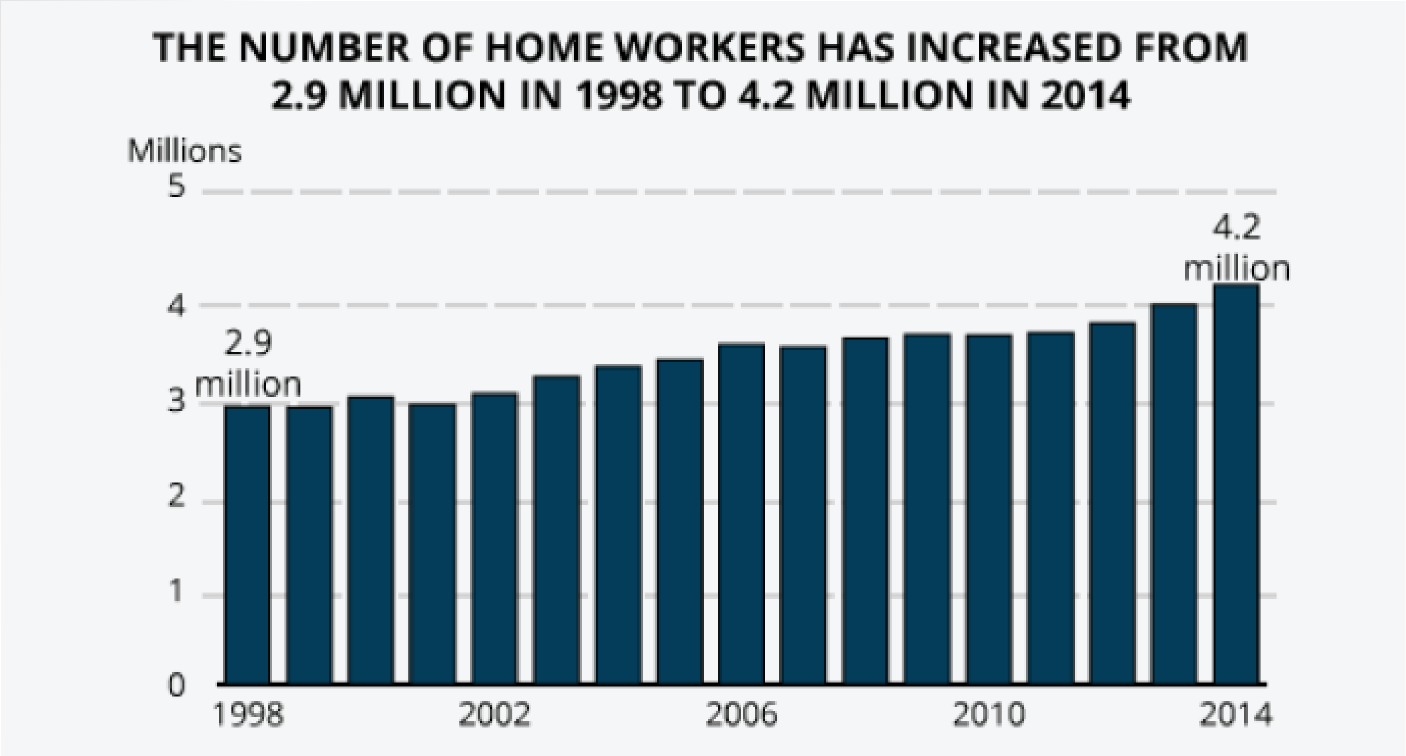
Photo courtesy of Frances Holliss

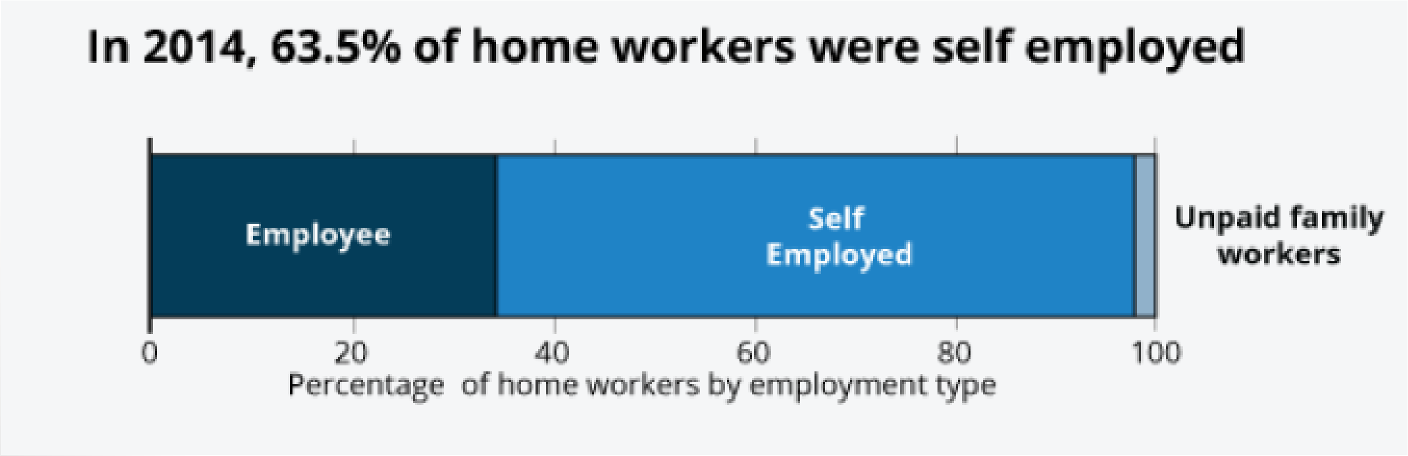
The resurgence of homeworking

Number of homeworkers in the USA, 1960-2010



Source: Reuschke, Regions 2015, p. 7

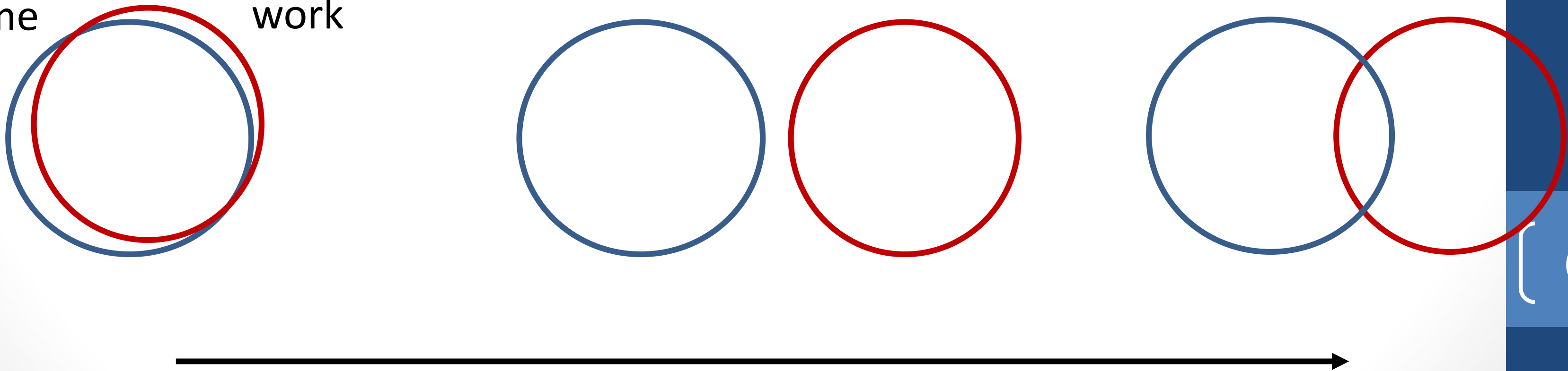


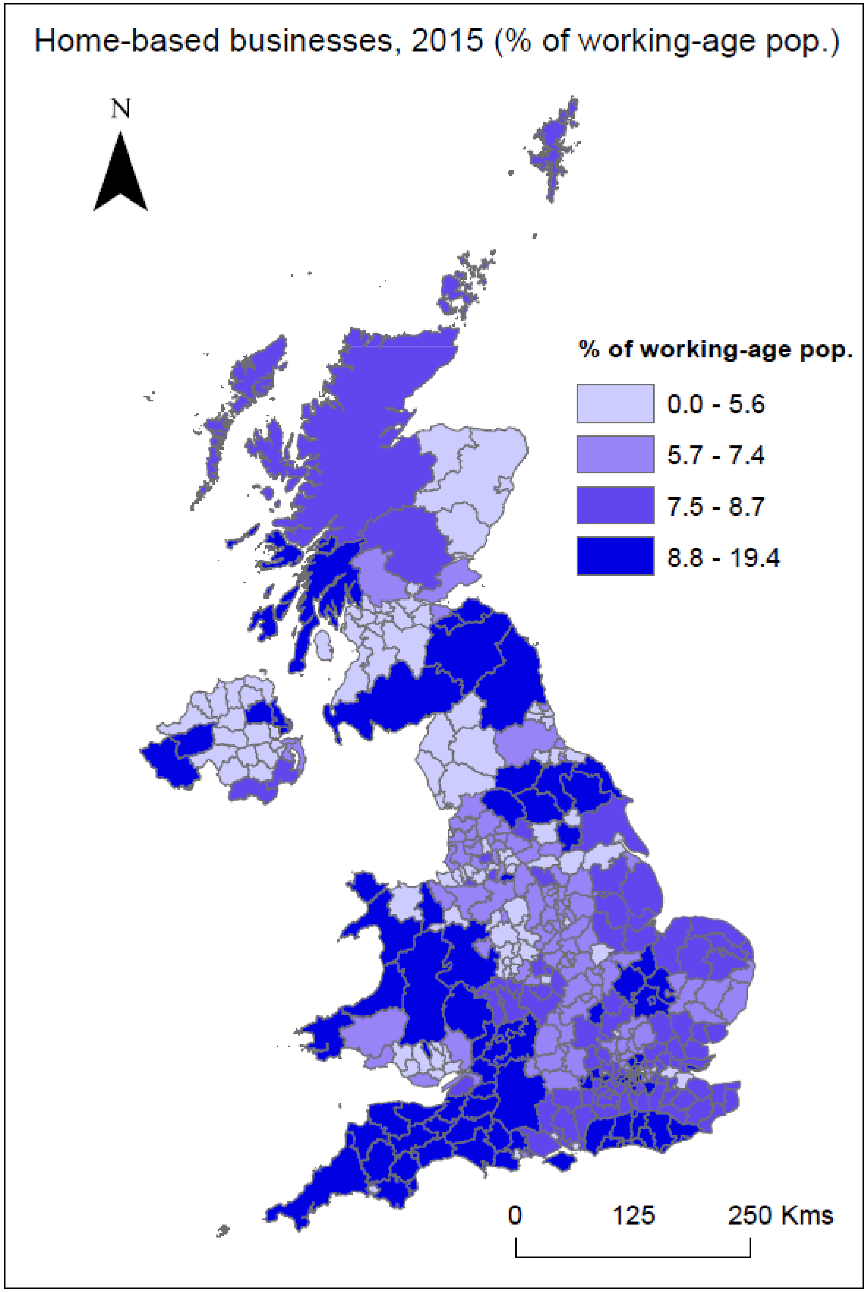


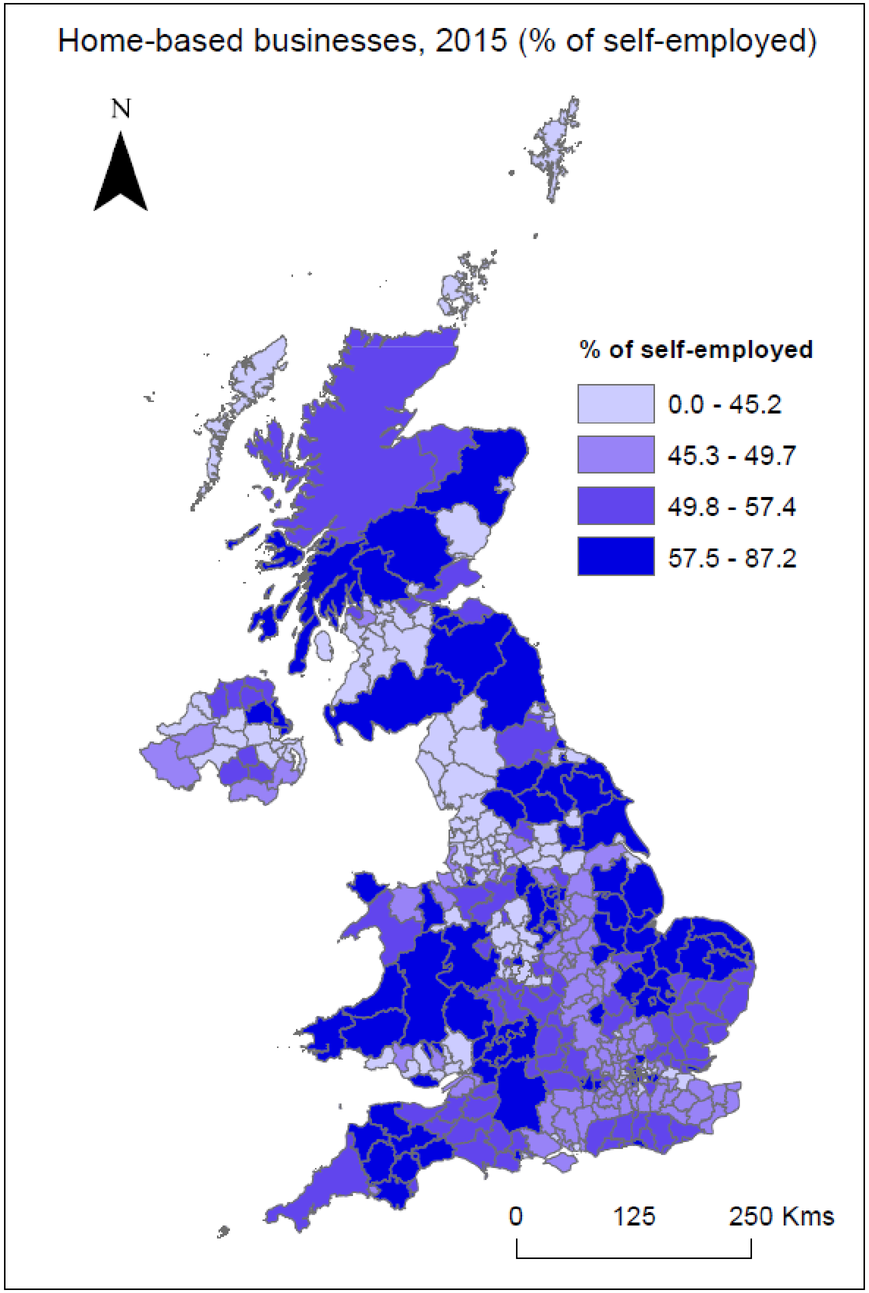
Source: ONS, 2014

Back to the future?

home work



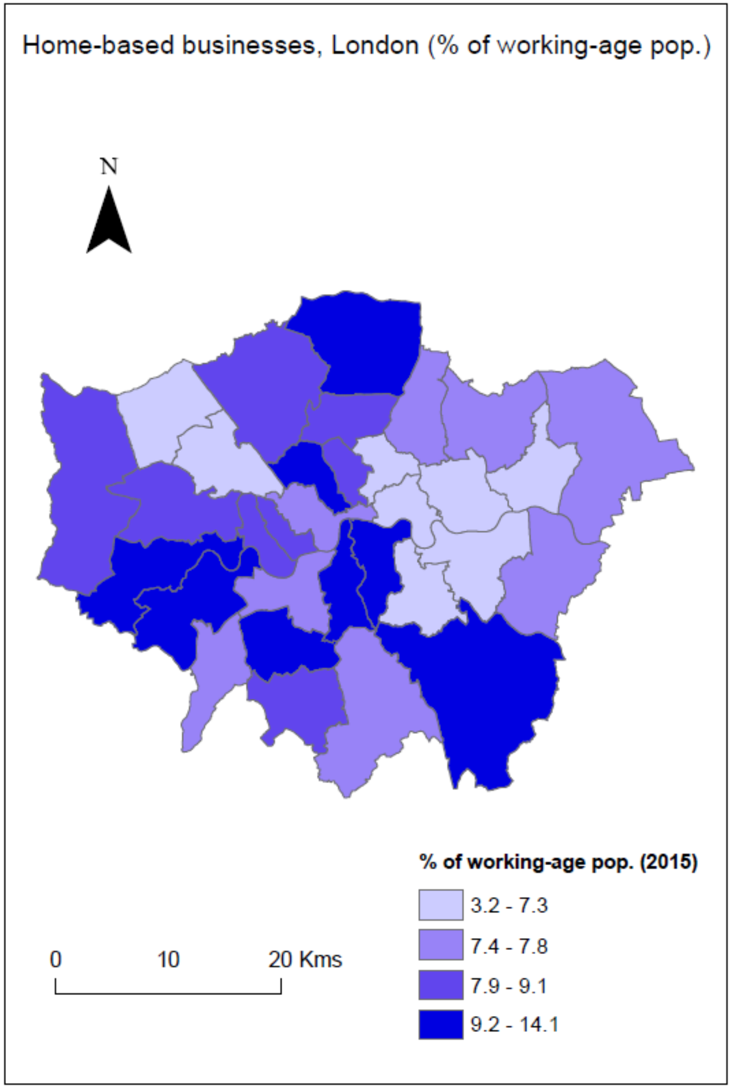




Source: Labour Force Survey, Spring quarter 2015

The Top 10 in UK

Ceredigion	Mid Wales, rural	19.4%
Powys	Mid Wales, rural	14.2%
Merton	SW London, urban	14.1%
Brighton & Hove	SE England, urban	13.3%
Devon	SW England, rural	13.1%
Midlothian	Scotland, mixed	13.1%
North Yorkshire	Yorkshire, rural	12.8%
Enfield	North London, urban	12.1%
Herefordshire	West Midlands, rural	12%
Dumfries Galloway	Scotland, rural	12%



Source: Labour Force Survey, Spring quarter 2015

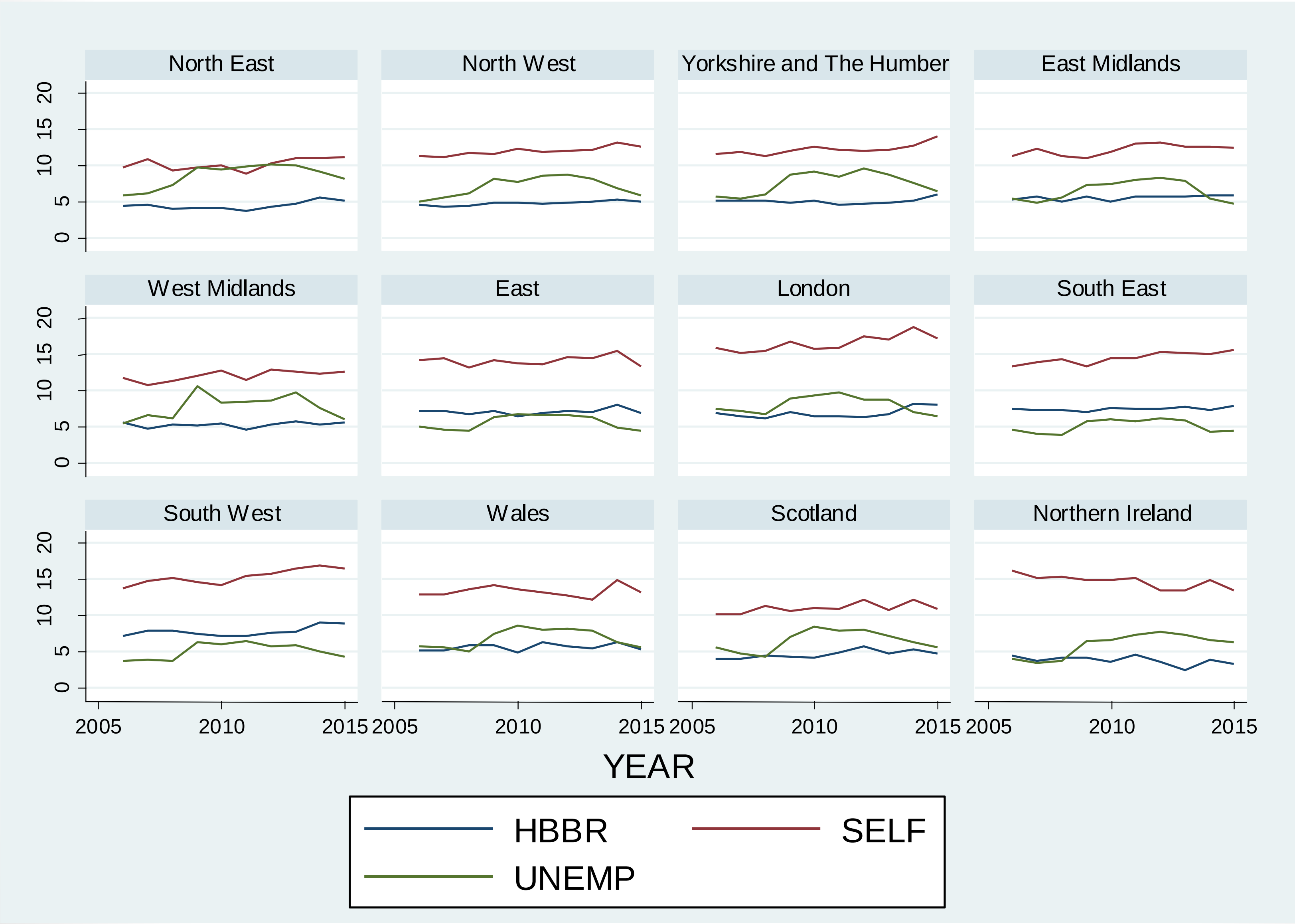
Lowest proportion of HBB in working-age pop

Sunderland	NE England	urban
East Ayrshire	Scotland	mixed
Dundee City	Scotland	urban
Oldham	NW England	urban
Coventry	West Midlands	urban
Belfast	NI	urban
South Tyneside	NE England	urban
West Lothian	Scotland	mixed
Clackmannanshire	Scotland	mixed
West Dunbartonshire	Scotland	urban

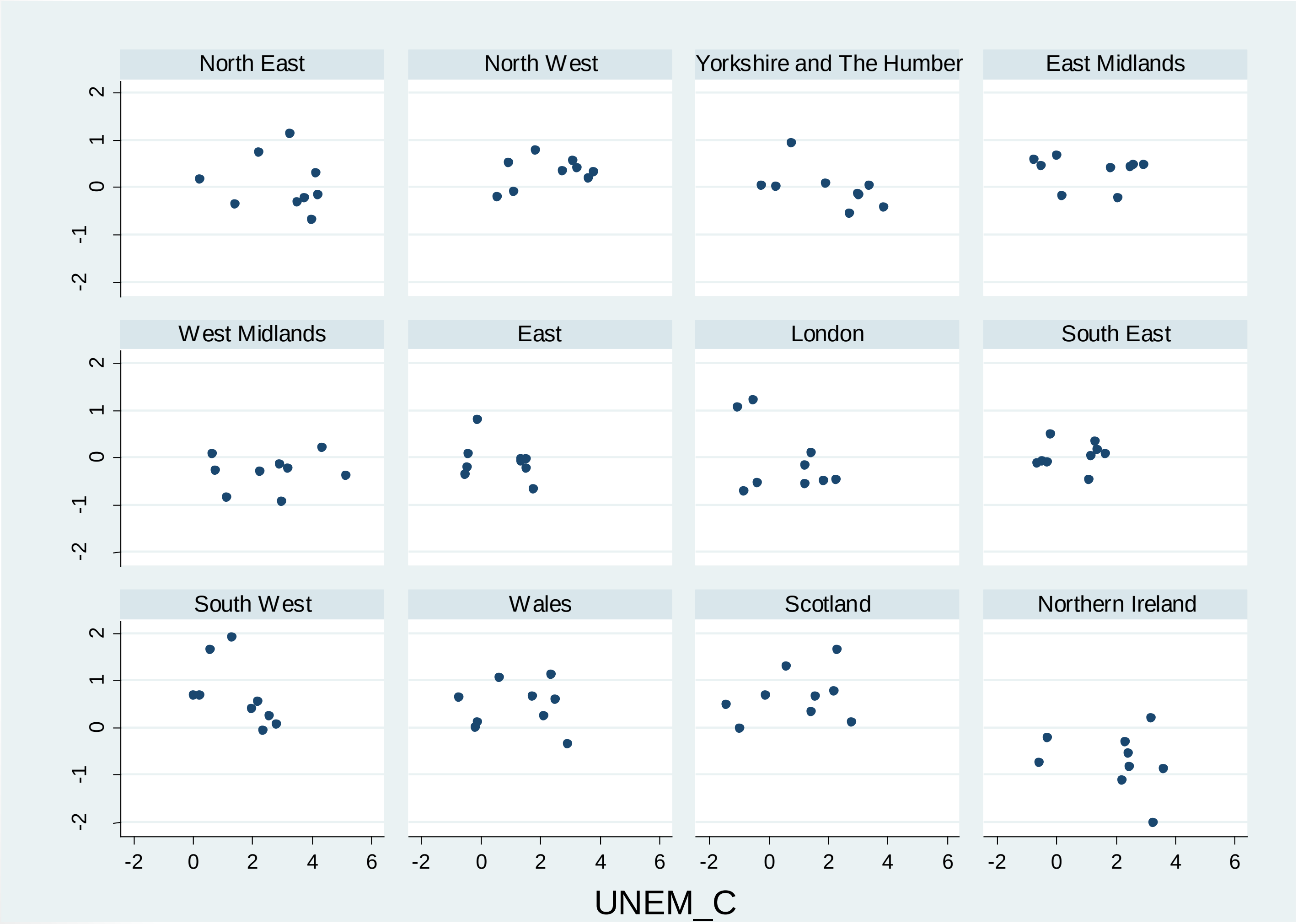
Former industrial conurbations and coal mining

Cumbria:
5.6% of working-age pop (UK: 6.7%)
40.2% of self-employed (UK: 48.1%)

HBB rate in UK regions 2006-15

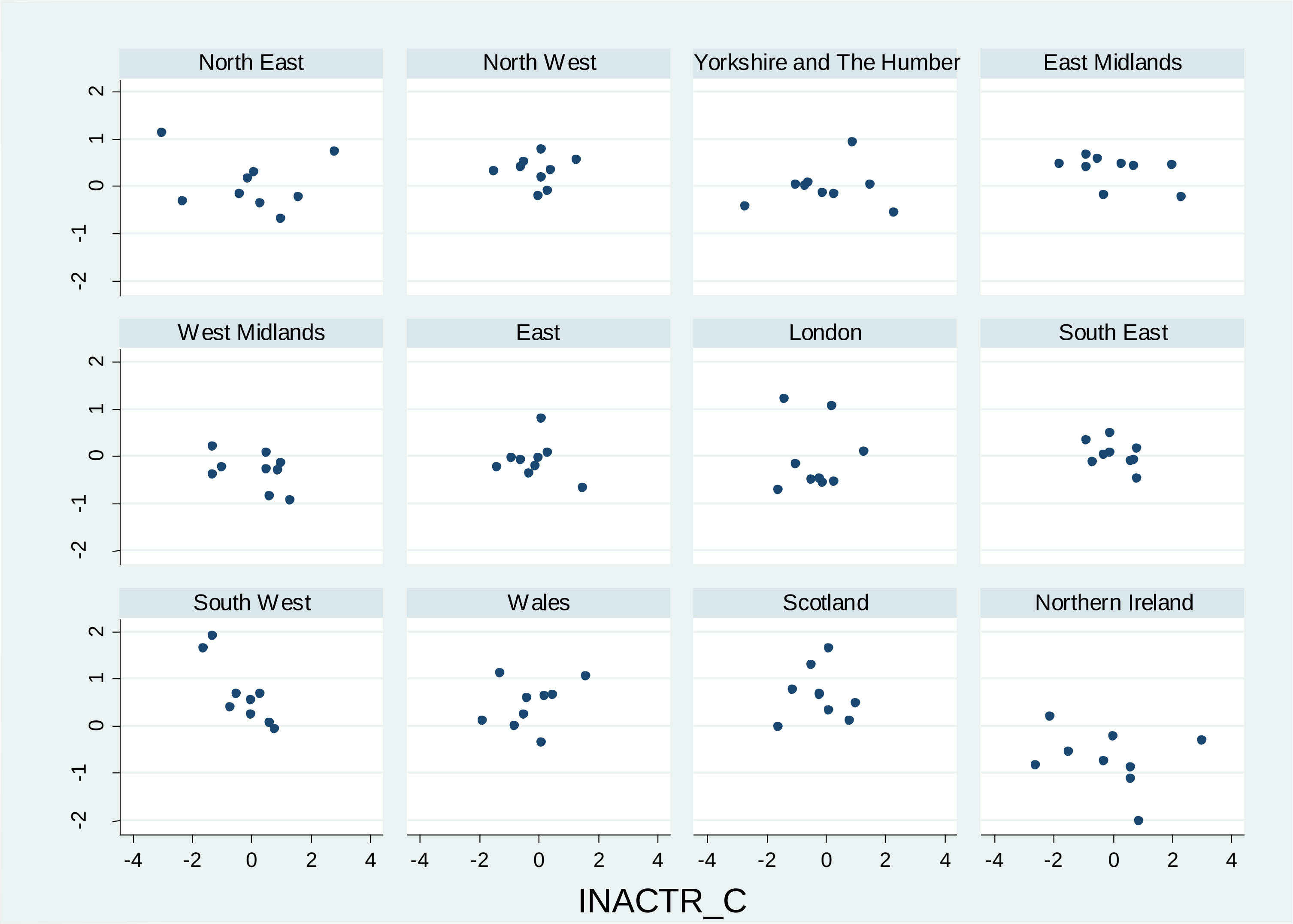


HBB and unemployment rate



Source: Labour Force Survey, Spring quarters 2006-2015

HBB and inactivity rate



Source: Labour Force Survey, Spring quarters 2006-2015

Significance for the economy

- 95% of all businesses in UK are microbusinesses (2015)
- 79% do not employ any staff
- 59% of all microbusinesses and 37% of micro employers were home-based in 2014.
- ~ 50% of UK businesses are home-based
  - Higher amongst business start-ups

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Significance for urban economies

- UKSMEF 2004-2008
- Four measures of growth
    - Employment growth out of micro
    - Employment growth into medium-sized business (50+ staff)
    - Sales turnover below/above registration threshold (£100,000)
    - Sales turnover below/above £250,000
- HBB overall less likely to grow in employment
    - BUT no difference in turnover
    - Greater chance of growing into medium-sized businesses in cities
- Integral to the evolution and dynamics of urban economies
- Evolution of business
- 'Different' growth mode

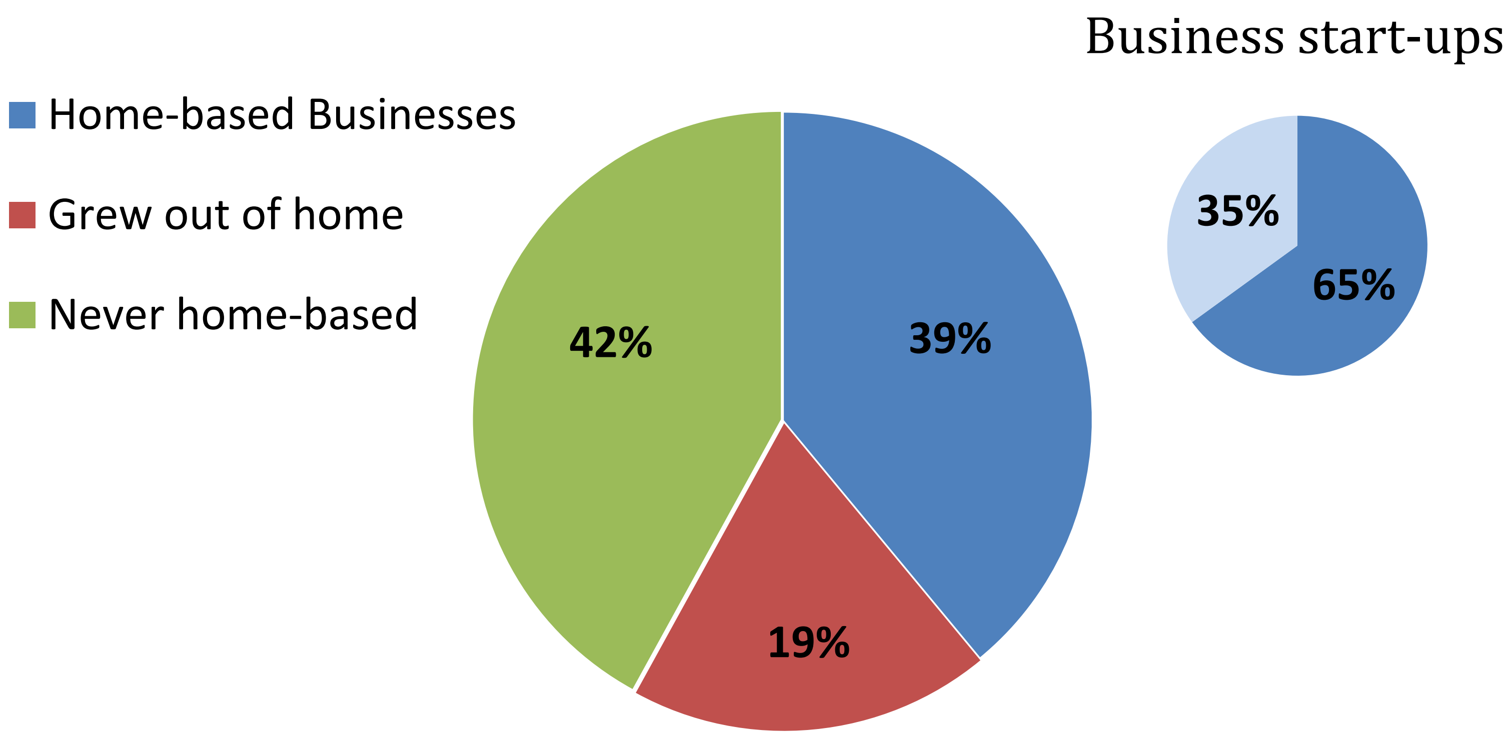
HBBs and the Scottish Economy

- 290,490 workplaces (‘jobs’)
- 17% of all private sector employment
- £18.5 billion turnover
- 9% of total private sector turnover

FSB Scotland Survey 2014

- Internet-based survey of all FSB members in Scotland with email addresses (12,000)
- 999 useable responses or 8% response rate
- Set of questions to all businesses plus special home-based business section
  - Comparison of home-based businesses and other businesses
- Definition of home-based businesses:
  - What type of premises do you operate from?- Home or external premises linked to home

The home as business location and incubator



1st myth: Rural tourism businesses

- Relative over-concentration of HBBs in tourism sector and therefore also in rural areas
- But …
  - HBBs found throughout the economy with concentrations also in business services, creative services and construction
  - Seven out of ten rural HBBs are not in tourism
  - Rural favouring HBB industries include also: construction, engineering, manufacturing, digital and telecoms
  - Women HBBs more often located in urban areas

2^{nd} myth: Small lifestyle ventures

- Turnover is smaller and fewer staff than other businesses
- But …
  - ➢ Two-thirds of HBBs employ staff
  - ➢ Home location does not preclude significant growth, e.g. turnover above £500,000
  - ➢ Almost half reported increased turnover; only slightly less than other businesses
  - ➢ HBBs more often report stable turnover

3rd myth: HBBs' markets are local

- HBBs are <u>more</u> likely than other businesses to derive most of their sales from across the UK and internationally
- Greater reliance on internet sales
- Both HBBs and other businesses do not have the majority of their suppliers predominantly locally (22% and 12%)
- Many HBBs source UK-wide (30%) and internationally (8%), particularly when their main costumers are businesses

4th myth: Mumpreneurs and 'third age' entrepreneurs

- Gender split almost identical for HBB and other business owners (66% or 67% males resp.)
- Proportion of women business owners with dependent children almost identical for HBBs and other businesses (28% and 29% resp.)
- Childcare is secondary reason for running business from home
- Slightly older age profile but only 16% in retirement age (15% other owners)

Types of home-based business owners

- Motivation: nature of the business (65%), convenience (61%), to reduce costs (56%)
- Three groups with specific motivations & characteristics
  1. **Family type**: women, 41-55-year old, dependent children, work in the home, creative services, e-commerce, increase in turnover, often report lack of boundaries between family and the business as disadvantage
  2. **Disability/care type**: very small, sole traders, often part-time, sales and suppliers mostly not local, urban areas, often report lack of meeting space and isolation as disadvantage, but virtually no use of workspaces outside the home
  3. **Temporary/no alternative type**: wish to move out of the home, young businesses and owners, rural areas and towns, less often in tourism, interest in workspaces outside the home

Policy recommendations

- Taking HBBs seriously
  - Business start-up mostly in the home
  - Sign. proportion increases turnover and sells across UK and internationally
  - In cities fast employment growth
  - ➢ Improving quality and quantity of data on sector

- Overcoming stereotypes and myths
  - Some neglected types incl. disability/care and temporary/no alternative
  - ➢ No ‘one size fits all’ approach

Policy recommendations (2)

- Better broadband and greater access to finance

- Specific concerns are ambiguity concerning planning regulations and liability for business rates
    - Remove uncertainty about planning permission and business rate
    - Local authority guides how to run a business from home

Policy recommendations (3)

- Low proportion that operates from rented accommodation
  - ➢ Review of rental agreements
- Latent demand for support infrastructure (e.g. serviced offices, workhubs)
- Understanding and supporting ‘different’ growth mode
  - ➢ Strategy how to support employment growth

Many thanks for your attention!

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