Home-based Businesses and Regional Development

Dr Darja Reuschke
CRED Seminar, 24th February 2016
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
The number of home workers has increased from 2.9 million in 1998 to 4.2 million in 2014.

In 2014, 63.5% of home workers were self employed.

Source: ONS, 2014
Back to the future?
Source: Labour Force Survey, Spring quarter 2015
## The Top 10 in UK

<table>
<thead>
<tr>
<th>Location</th>
<th>Region/Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ceredigion</td>
<td>Mid Wales, rural</td>
<td>19.4%</td>
</tr>
<tr>
<td>Powys</td>
<td>Mid Wales, rural</td>
<td>14.2%</td>
</tr>
<tr>
<td>Merton</td>
<td>SW London, urban</td>
<td>14.1%</td>
</tr>
<tr>
<td>Brighton &amp; Hove</td>
<td>SE England, urban</td>
<td>13.3%</td>
</tr>
<tr>
<td>Devon</td>
<td>SW England, rural</td>
<td>13.1%</td>
</tr>
<tr>
<td>Midlothian</td>
<td>Scotland, mixed</td>
<td>13.1%</td>
</tr>
<tr>
<td>North Yorkshire</td>
<td>Yorkshire, rural</td>
<td>12.8%</td>
</tr>
<tr>
<td>Enfield</td>
<td>North London, urban</td>
<td>12.1%</td>
</tr>
<tr>
<td>Herefordshire</td>
<td>West Midlands, rural</td>
<td>12%</td>
</tr>
<tr>
<td>Dumfries Galloway</td>
<td>Scotland, rural</td>
<td>12%</td>
</tr>
</tbody>
</table>

Source: Labour Force Survey, Spring quarter 2015
## Lowest proportion of HBB in working-age pop

<table>
<thead>
<tr>
<th>Location</th>
<th>Region</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sunderland</td>
<td>NE England</td>
<td>urban</td>
</tr>
<tr>
<td>East Ayrshire</td>
<td>Scotland</td>
<td>mixed</td>
</tr>
<tr>
<td>Dundee City</td>
<td>Scotland</td>
<td>urban</td>
</tr>
<tr>
<td>Oldham</td>
<td>NW England</td>
<td>urban</td>
</tr>
<tr>
<td>Coventry</td>
<td>West Midlands</td>
<td>urban</td>
</tr>
<tr>
<td>Belfast</td>
<td>NI</td>
<td>urban</td>
</tr>
<tr>
<td>South Tyneside</td>
<td>NE England</td>
<td>urban</td>
</tr>
<tr>
<td>West Lothian</td>
<td>Scotland</td>
<td>mixed</td>
</tr>
<tr>
<td>Clackmannanshire</td>
<td>Scotland</td>
<td>mixed</td>
</tr>
<tr>
<td>West Dunbartonshire</td>
<td>Scotland</td>
<td>urban</td>
</tr>
</tbody>
</table>

**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

Graphs by GOVTOF2
HBB and unemployment rate

HBB and inactivity rate

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

[Source: www.microbusiness.ac.uk]
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

- Home-based Businesses: 39%
- Grew out of home: 19%
- Never home-based: 42%

Business start-ups:
- 35%: Home-based Businesses
- 65%: Grew out of home
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
2nd 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 more 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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