



Home Business Report

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In Association with
Direct Line for Business

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**Enterprise
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Home Business Report

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Foreword

The Home Business Survey that makes up the evidence base for this Report was launched on Friday 15th August 2014; a date marked as a big day for home business.

The Prime Minister, David Cameron, and Business and Enterprise Minister, Matthew Hancock, stood on stage at the Enterprise Nation Home Business Summit and launched a package of support for the millions of people who have chosen to start and grow a business from home.

The package included confirmation that business rates are not payable by the majority of home businesses who are covered by Small Business Rate Relief, that planning permission is not required to start a business from home (unless you are likely to cause a serious disturbance to neighbours), and introduction of a model tenancy agreement so landlords remove the clause in contracts (in social and private accommodation) that says a business cannot be run from the premises. This announcement and these moves were a step in the right direction when it comes to recognising home based business for the contribution it makes to the economy and society.

At the time, Enterprise Editor of The Telegraph, Rebecca Burn-Callander commented in her column:

'This wasn't an obvious sector to champion. Home businesses usually employ no staff and few multi-million turnover firms are still based in a bedroom. However, the sheer volume of home businesses in this country – 2.9m – means that there is a huge economic benefit to giving these firms some extra support.'

This Home Business Report, produced in association with Direct Line for Business, builds on the announcement of 15th August and continues to make the case for support to be directed at Home Based Businesses. With firm evidence, it shows:

- People are choosing to start a business from home
- The most popular sectors are creative, retail and business services ie modern and digital driven-occupations
- Home business owners are ambitious for growth, employing up to 5 million freelancers
- Given the choice, they would not return to employment or move the business out of the house and they are spending an extra £40bn in their local towns/cities/villages.

This presents a bright and positive picture yet there is one area for consideration and work in that the majority of home based businesses are looking for a mentor and advice on how to grow. They want a wider network of peers and they are not choosing to raise funds and grow, possibly because the right advice is not at their disposal.

With the findings from this report, Enterprise Nation will continue to work with partners to ensure the large and growing base of home based businesses have all the support and resource in place to realise their full potential.

Emma Jones
Founder, Enterprise Nation



Report Partners



Enterprise Nation

Enterprise Nation is the UK's most active small business network with more than 60,000 members. Its aim is to help people turn their good ideas into great businesses – through expert advice, events, networking, inspiring books and a campaigning voice to government.

Enterprise Nation was founded in 2005 by Emma Jones MBE also co-founder of national enterprise campaign StartUp Britain. She is author of best-selling business books including Spare Room Startup, Working 5 to 9, Go Global and the StartUp Kit.



Vyara Ruseva

Vyara Ruseva is a research specialist with a MSc in Political Economy of Europe from London School of Economics. Having a background in Business Economics, Vyara has developed a key interest in researching enterprising economies and the conditions required for small business to flourish. Vyara collated data from the Home Business Survey and undertook the role of report researcher and editor.

direct line
for business



home business insurance

Direct Line for Business is a specialist small business insurance provider and has been an advocate for home businesses since its inception in 2007.

The company has been a positive voice in the industry highlighting the value that home businesses bring to the UK economy, the support they require to grow as well as providing education for new and seasoned home businesses. The company has developed an extensive knowledge centre full of useful resources for those thinking of starting, or already running a mature, business from home.

Direct Line for Businesses Home Business Cover protects the time, money and effort that people have invested in their enterprise. It provides peace of mind for potential liabilities they could have to customers, loss of stock or equipment, and also loss of earnings due to an insured event that meant they couldn't run their business from home.

1. Introduction

The release of the latest self-employment statistics in August 2014 reaffirmed the existence of a consistent upward trend observable in the UK that's been happening since the late 1990s. According to the data, nearly **five million** people in the country are self-employed, from which **4.6 million have indicated** that self-employment is their main job occupation (ONS, 2014). This means that currently more than 15% of the total working population in the UK (or 1 out of 7) are working for themselves - the highest percentage registered at any point in the past four decades.

Apart from drawing attention to the record number of self-employed, the statistics highlighted a few other intriguing facts. Among them was the observation that the crisis appeared to have impacted employees to a greater extent compared with the self-employed given the cumulative rise in unemployment as a result of the recession. The number of employees in the UK has only recently managed to regain its pre-recession level of 25.6 million, while the number of self-employed has grown by 732,000 since 2008 (D'Arcy and Gardiner, 2014; ONS, 2014). This steady increase appeared puzzling considering the fact that it has been accompanied by a consistent fall in income earnings by the self-employed, currently estimated to be around 20% lower than the equivalent for employees. Those findings have sparked a controversial debate revolving around the motives for becoming self-employed. For many, it was seen as a sign that the economic recovery, which is gradually progressing, is built on shaky ground. Such arguments stem from the belief that because of the downturn, and the resulting scarcity of available job opportunities many people were pushed into resorting to self-employment, primarily out of necessity rather than of personal choice.

While there might be an element of truth in that, such statements fail to take into account a number of other important factors that could potentially have a much stronger explanatory power. One of them, which seems to get surprisingly little attention, regards the **role of Home-Based Businesses (HBBs)**. Existing estimates suggest that HBBs represent over 50% (2.8m) of total small and medium size enterprises (SMEs) in the UK, and their contribution to the economy, based on turnover only, amounts to £300bn (BIS, 2014; Enterprise Nation). Furthermore, according to Dwelly et al. (2006) 'home-based businesses are now a critical part of the economy ... [of] rural areas and market towns' and a key driver of rural sustainability. Moreover, based on the OECD's (2014) latest report about entrepreneurship, those home businesses, which are usually microbusinesses with fewer than 10 employees, are in fact the most productive among all types of enterprises in the services sector in the UK. The discovery becomes a highly valuable one given that the average productivity level in the UK is currently lagging by 21% behind that registered in the other six members of the G7 – the US, Germany, France, Italy, Japan and Canada (ONS, 2014). This means that, if encouraged to develop to their maximum potential, home businesses could add a significant amount of value to the economy and represent a major growth and productivity engine.

Yet, despite the fact that nowadays home businesses have been recognised as representing a **significant proportion of total businesses** and a **vital part of the economic structure** (Commonwealth government, 2004), understanding about their character, motivations and potential to stimulate economic growth appears limited. Existing literature tends to concentrate on gender and lifestyle issues (Walker and Webster, 2004) and less so on the general socio-economic impact that HBBs could have. The only exception being the study by Mason, et. al. (2009) which looks at the character and geography of HBBs in the UK.

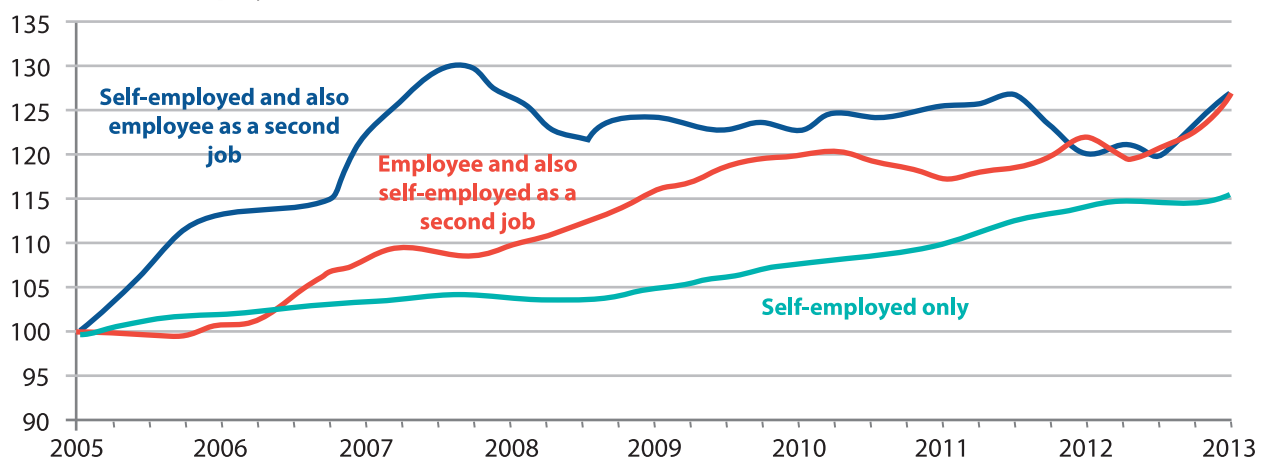
However, the fact that the study was conducted in 2009 prevents it from being able to draw any

meaningful conclusions with regard to the effect of the crisis as well as the potential trends relating to the economic significance of HBBs. Consequently, policy makers' **limited understanding of HBBs** means that when considering opportunities for expansion of existing businesses or development of new businesses, they often pay regard to the "traditional" businesses only – i.e. those that operate in commercial premises. As a result, many homepreneurs continue to be overlooked and therefore remain invisible (Muske and Woods, 1999).

In fact the strong association of HBBs with the group of self-employed, which is still heavily dominated by cab drivers and construction workers, has led to the development of a not particularly accurate perception about their motivations and demographic character. **Existing stereotypes** revolve around several popular ideas. Some rest on the belief that owners of HBBs are typically older people, aged 50 or over, who have become self-employed in order to continue working after their retirement (ONS, 2014). Others, reflect the perception that HBBs are more suitable for women with no strong financial needs, i.e. hobby-businesses (Loscocco and Hunter, 2004), or people based in rural areas (Mason, 2008). However, the most dominant of all, especially in the last few years, has been the idea that the working conditions for homepreneurs resemble those of employees with 'zero hour' contracts; their earnings are simply marginal and provide them with the bare minimum; and all that, because they were forced to become self-employed due to the lack of available employment opportunities (Murphy, 2013; Moules, 2014;). However, a look at the evolutionary trend in the number of self-employed in the UK, as a representative of HBBs, during the last decade tells us that there is much more to quest for.

Figure 1 Change in the levels of self-employment status

Indices of self-employment status, 2005 = 100



Note: Four-quarter rolling average

Source: Two-Quarter Longitudinal Labour Force Survey, ONS

As visible from Figure 1, the upward trend in all of the self-employment categories, including HBBs, has started long before 2008, making arguments based on the belief that the crisis has been the major causal factor for it sound rather flawed. *Instead, a stronger consideration of the shifts in the economic and business environment as well as the changes in culture and lifestyle needs could lead to a much better comprehension about what drove an increasingly large number of people to start-up from home, as well as what the true economic potential of this segment is.*

Generally speaking, the increasing dominance of the services industry over manufacturing in the last 30 years as well as the growing trend of outsourcing among firms has opened up a huge number of opportunities for services sector professionals to work as freelancers, and have led to the development of whole freelancer communities (see www.freelancer.co.uk). A growing number of

professionals are more and more willing to work as independent consultants (Graber, 2002; Ekinsmyth, 2002). In the last five years, some 237,000 people from the knowledge-intensive services sector, including professional, scientific and technical activities such as management consulting, accounting, etc, have become self-employed, based from home. Furthermore, the **advances in ICT** and their increased accessibility have contributed to a greater flexibility of delivering professional services from any location, including the home, and hence could be considered a core factor facilitating the growth of HBB (Walker, 2003; Business Week, 2005). In terms of **cultural changes**, starting a career as an entrepreneur has become more and more appealing to a growing number of young people. The amount of those combining a HBB with studying or parenting has grown steadily simply due to the fact that it offers the flexibility and independence which tend to lead to a greater personal satisfaction (Johnson, 2014; Grene, 2014).

According to Business Week the number of HBBs in UK is forecasted to double in the next 20 to 30 years. However, at present, there are too many obstacles preventing HBBs from realising their full economic potential. A crucial one being the lack of targeted policies, able to address some of the most essential home businesses' needs (Carter, 2002; Dwelly et al., 2005). For example, many people have good ideas for a business but fail because of poor planning and lack of experience. Furthermore, home-based business owners often struggle securing an adequate amount of money to start their business. They tend to be unaware of existing sources of help and regard issues associated with business legislation as not relevant (Mason, et.al., 2009). Meanwhile, existing research suggests that communities working to facilitate business start-ups can reduce the failure rate among new enterprises and enhance the overall growth in the local economy (Muske and Woods, 1999; Outer Suburban/ Interface services and Development Committee, 2008). **Local government officials and community leaders can, therefore, help home-based businesses start or expand in a number of ways.**

At this initial phase, and based on Enterprise Nation's intense interaction with home-businesses, we have sufficient reasons to believe that HBBs are not predominantly older people, in rural areas, working for the bare minimum and out of necessity. Therefore, with this study and Survey we aim to contribute to the better understanding of the character, potential as well as needs of home businesses, and most importantly challenge existing stereotypes, which we have strong grounds to believe are largely inaccurate. In what follows we attempt to answer the key questions of:

- Who are the home-based businesses in UK? What is their geographical location and sector concentration?
- Who are the owners of home-based businesses in terms of demographics?
- What are their motivations for starting up a HBB and continuing to run it?
- What is the real income gap between a HBB and an employee in the same job occupation?
- What do HBBs contribute to the local economy?
- What are their most pressing needs and attitude towards growth?

2. Methodology

In order to achieve the set research objectives, Enterprise Nation in association with Direct Line for Business, explored relevant secondary data, employing both qualitative and quantitative analysis techniques, to construct a 30-question survey capable of delivering the needed insight. The online survey was distributed to a population of 60,000 UK businesses, currently present in Enterprise Nation's database, as well as via small business partners, social media and traditional media.

For the purpose of this study a home-based business is considered to be any business entity selling products or services, run by a self-employed person, with or without employees, and operating on either part-time or full-time basis from a residential property.

Consequently, on the basis of this definition a sample size composed of 600 home-based businesses was selected on the basis of non-judgemental, probability sampling technique.

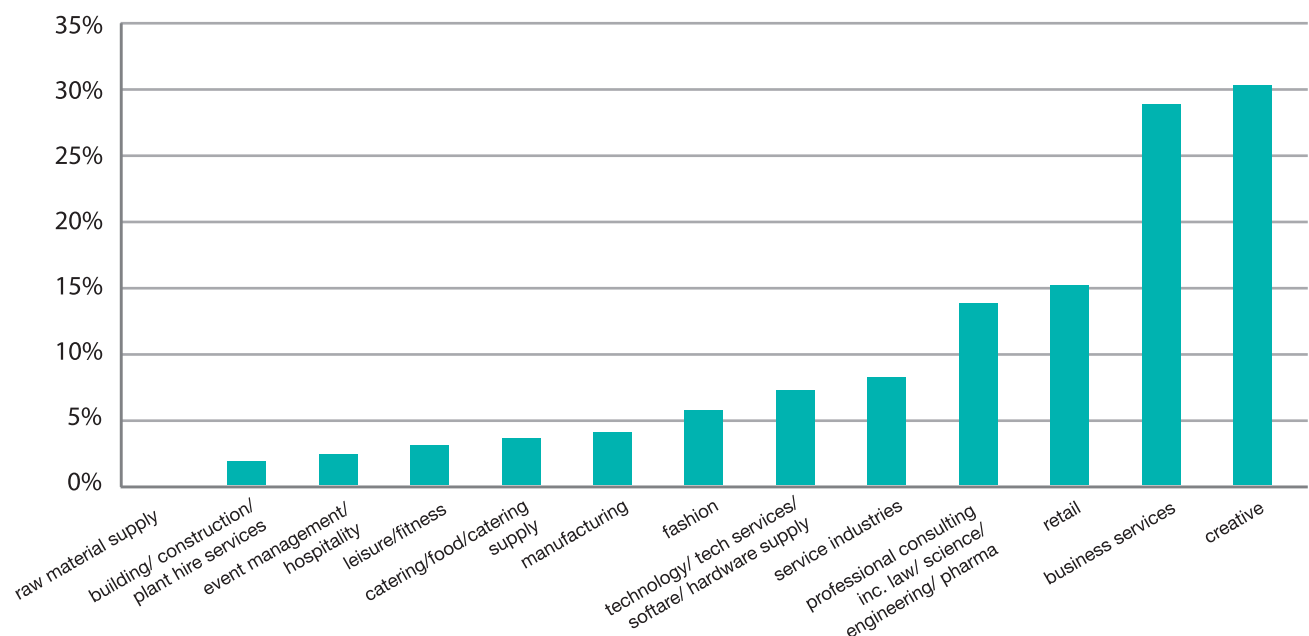
3. Characteristics of Home Based Businesses in UK

Having highlighted the fact that home businesses represent a large part of the businesses operating in the country, we now turn to the specific characteristics of HBBs which would allow us to explore their significance later on. Consequently, this section looks at the **most represented sectors** among home businesses, the **time of establishment** (i.e. age of business), as well as the **mode of operation** of HBBs.

3.1 Home Businesses according to sectors

The Home Business Survey results indicate that, as opposed to the self-employed population which is dominated by workers from the Construction and Services industries, **homepreneurs are predominantly concentrated** in the Creative, Business services (inc. financial and management consulting), Retail and Professional consulting industries (inc law, science, engineering, etc.) (Fig.2). Other sectors occupying the middle positions include Technology, Manufacturing, Fashion, and Catering, while Construction, Event management and Leisure and fitness appear at the bottom of the list. This obvious diversity of represented fields of work suggests that opportunities for starting up a home business are vast and not limited to only a few categories of professionals.

Figure 2 Home Businesses according to sectors



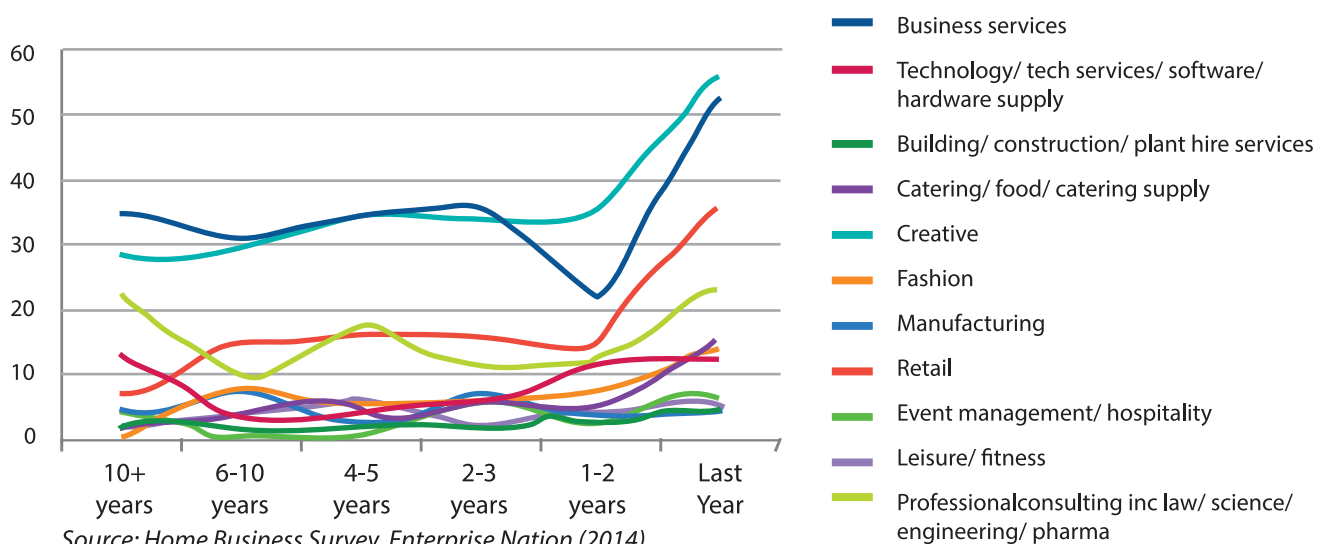
Source: Home Business Survey, Enterprise Nation (2014)

3.2 Age of Home Businesses

Next, the data revealed that approximately 8 out of every 10 HBBs are started by a single person. Similar to the general trend in self-employment, nearly half (**48%**) of the surveyed home businesses in UK were registered within the period of the Great Recession (2008 - 2013). This evidence supports the belief that the crisis led to a revolutionary advancement in self-employment, including HBBs. It is widely known now, that the economic downturn didn't affect home businesses in the same way it did regular employees. As a result, many argue that the growth in self-employment is simply the result of the decline in employment opportunities associated with the crisis. In the meantime, the idea that the recession could have exemplified **the inception of a creative destruction period, which encouraged entrepreneurial thinking and efficient operation**, seems completely overlooked. While a lack of motivation, due to poor effort acknowledgement by employers, is causing employees in Britain to work well below their peak productivity and therefore impedes potential economic growth, (BUPA, 2014), our survey results reveal that an exceptionally high percentage of homepreneurs are strongly motivated to succeed and this is reflected in their high growth expectations. Four out of five respondents (80%) envisage positive growth in the next 12 months. Moreover, over a quarter of them expect levels in excess of 30%. An important sign of the satisfaction of home business owners with what they do is the fact that **between 65% and 86% of those who started their business during the recession are certain they wouldn't like to return to a regular job**. All that confirms the observation of the declining out-flow rate in self-employment, i.e. that fewer people are leaving self-employment or ceasing to run their home business, and suggests that for most of the HBB owners, the decision to set up their own enterprise has been a positive one. Consequently, it could be argued that **the upward trend in newly established home businesses is not a temporary phenomenon that one should anticipate to wind down with the revival of the economy**.

The UK economy exited the recession in the second quarter of 2013 and has ever since been on a path of consistent strong growth in GDP. Yet, we are not seeing any decline in the number of HBBs (Fig.3). In fact, **nearly 30% of the new home businesses were established during the last year**. Most of them are in the Business services, Creative industries, Retail and Professional consulting sectors, which coincide with the industries that registered the highest increase in newly registered self-employed. Therefore, it becomes logical to believe that it was in fact HBBs which drove the growth in self-employment figures. While in the past, becoming a freelance consultant in those areas was more often associated with senior managers who have faced redundancy or taken early retirement, today, this is no longer the case.

Figure 3 Home-Based Businesses establishment during the last decade



The changes in the business environment, and more specifically the outsourcing trend, which became popular among firms during the past decade, made this mode of operation more appealing to an increasing number of younger professionals. A growing number of experts with some years of industry experience are realising that by working for themselves, they could potentially earn the same wages, if not higher, while having a better quality of life. A significant part of HBBs (23%) have been operating for much over the range of 6 to 10 years. This is an indicator pointing to the fact that, for many, the HBB has become a permanent and stable source of income.

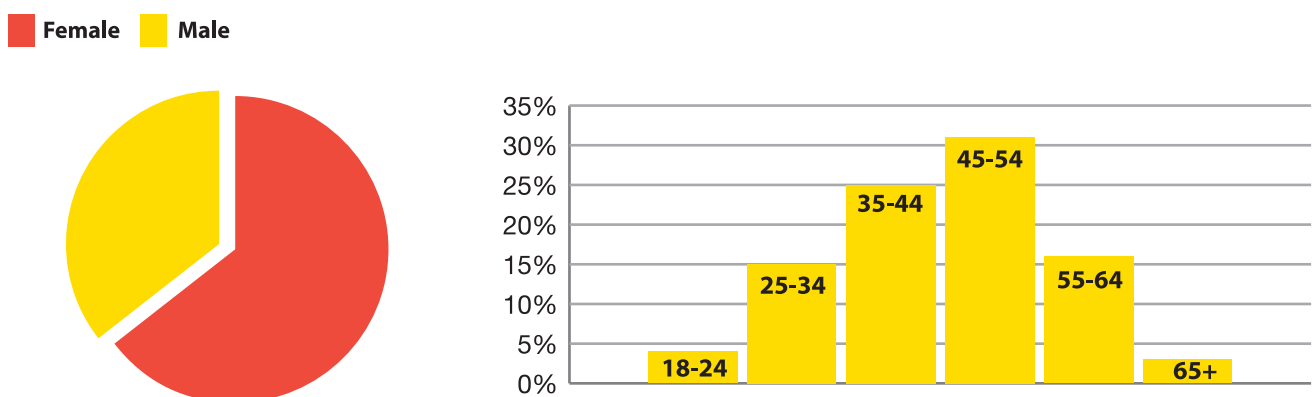
4. Characteristics of Homepreneurs

4.1 Homepreneurs according to gender

While men still dominate the self-employed population (ONS, 2014), **women represent two thirds (64%) of the homepreneurs in the UK** (Fig.4). Furthermore, according to the survey data, over half of those women (54%) work on their enterprise full-time. Interestingly, only 3 out of 10 (28%) of the female home business owners fall within the group of mothers with kids under the age of 10 years. These findings allow us to reject the hypothesis that HBBs are more common for mothers who run hobby businesses. In the mean time they prove that running a home business could provide more opportunities for inclusion of women in the labour market, especially given the fact that they are currently underrepresented.

Looking at the **most popular sectors for home businesses according to gender**, it appears that the Creative industry (34%), Business services (28%) and Retail (17%) are the most common among women, while the top choices for men tend to be Business services (29%), Creative industry (24%) and Professional consulting (19%).

Figure 4 Home Business owners according to gender and age



Source: Home Business Survey, Enterprise Nation (2014)

4.2 Homepreneurs according to age

In terms of age, the most represented age groups among homepreneurs are 35 – 44 years (26%), 45 – 54 years (32%) and 25 – 34 years (17%). This means that any speculation that HBB owners are mostly retired people who continue working should be entirely dismissed. The Creative industry is

the most popular among the youngest age groups (18 to 34 years old) with around 40% of HBB owners specialising in this field. The Business services industry, on the other hand, is the most often choice of a career destination among the 35 to 64 years old.

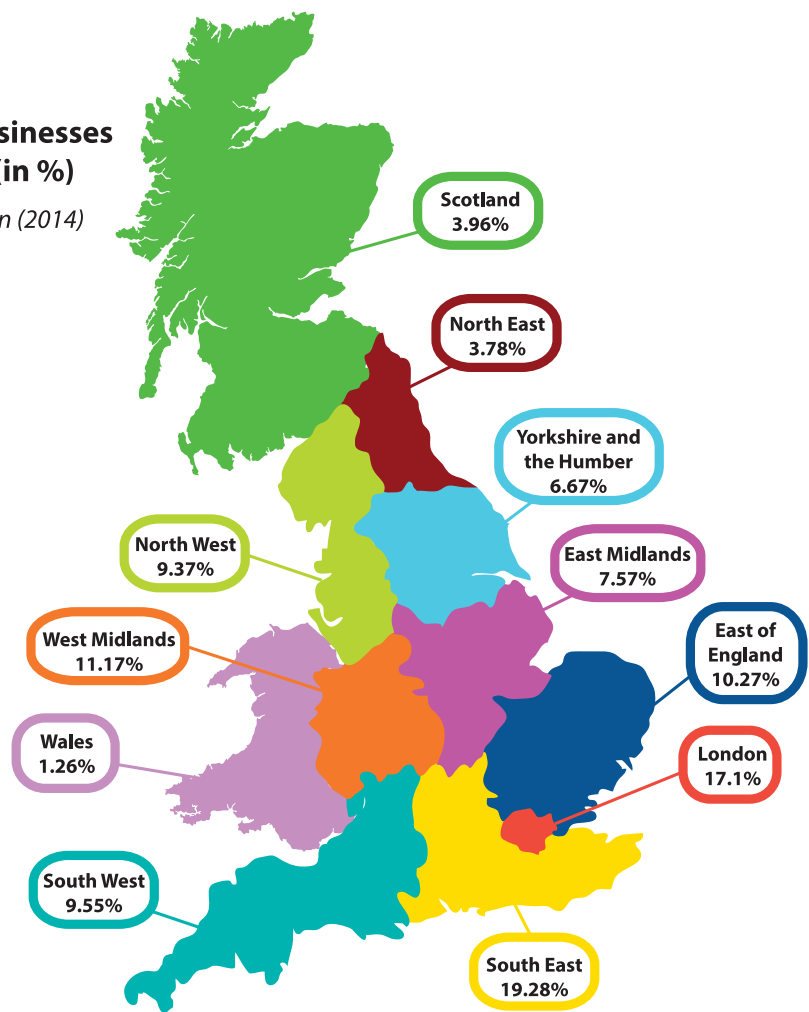
4.3 Entrepreneurial Experience

For most of the homepreneurs (69%) the work on their HBB represents their first ever attempt to run a business. Though, the lack of experience is not necessarily a bad thing. The willingness to try out new ways of doing things is one of the main factors fostering the strong entrepreneurial spirit typical for the British culture. Some say that this could be due to the fact that attitudes towards bankruptcy in the UK are much less judgmental compared to those in other European countries. Yet, the Home Business Survey revealed that only 7% of those who had run a business before had closed it because of bankruptcy issues. This suggests that home business owners tend to be more risk-averse and conscious entrepreneurs confirming Freytag's and Thurik's (2010) existing findings. Homepreneurs hardly pile excessive amounts of debt in order to continue a business that is not going well. On the one hand this is a good sign. It suggests that statements such as those by Gillian Guy (see Clark, 2014) who claims that 'many people working for themselves are seeing their efforts unravelled by debt' should not be associated with home businesses. On the other hand, it means that many home businesses are not accessing expert advice or help on how their business can grow.

5. Geography of Home Businesses

Figure 5 Concentration of Home businesses according to geographical regions (in %)

Source: Home Business Survey, Enterprise Nation (2014)



As visible from Figure 5, Home businesses display a very distinctive geographical distribution which does not completely correspond to the one exhibited by the self-employed. While the highest reported levels of self-employment in UK are London (17.3%) and the South West (16.6%), (ONS, 2014), **the regions with the highest concentration of HBBs in UK are South East (19.3%) and Greater London (17.1%)**. West Midlands (11.2%), East of England (10.3), the South West (9.6%) and the North West (9.4%) display a medium concentration, while the least popular locations are the North East (3.8%), Yorkshire and the Humber (6.7%) as well as the East Midlands (7.6%).

Some of the potential explanations for the higher density of home businesses **in London and the SE**, include the facts that the same tend to be populated by individuals with higher than the average educational qualifications (Burke, et.al., 2007); with more diverse backgrounds, including significant migrant communities (Sepulveda, et.al., 2011); and that there is an already established entrepreneurial culture within them. Home businesses in the London region, similarly to the generally displayed sector specialisation, are mainly in the Creative and Business services sectors, while in the South East they are predominantly in the Business services, Creative and Professional consulting. In terms of gender, both regions exhibit distributions close to the overall. However, looking at age statistics, a particular characteristic of London businesses appears to be the fact that they tend to be owned by slightly younger than the average individuals (34 - 44 years old). Furthermore, both London and SE rely substantially on an international customer base. Interestingly, most of the businesses in London (59%) were started within the last two years, compared to only 36% in the South East. This could be interpreted as evidence of the fact that HBB in the SE have been a traditional occupation for many people for a long period of time already, while they are currently heading towards their peak in London.

Top highlights for some of the remaining regions include, the fact that the **West Midlands** have the most women owned home businesses, standing at 83.3% of the total HBBs in the area. They concentrate in the Business services sector and also have an international customer base. As opposed to other regions, entrepreneurs from this region have more experience in running a business, with nearly 50% of them admitting they have had or are currently owning another business. In the meantime, they are some of the least likely to employ (8%) or outsource work (33%). A distinct feature of the **East of England** region is that it represents one of the areas with the highest male owned businesses - 40% of the total HBB in the region. The most popular sectors are Creative and Retail and the majority of the businesses involve part-time work (52%) alongside other employment (33%). As opposed to other previously discussed locations where the customer base was predominantly international, in the East of England its character is mainly national.

The **South West** is one of the most heavily populated by young homepreneuers regions which is an interesting insight given the fact that the region has the oldest population in the UK (ONS, 2013a). Currently, 41% of the total HBB owners in the area fall within the age range of 18 – 34 years. Most of the HBB have been established within the last two years. They specialise primarily in the Creative industries and also have a national customer base (50%). Another popular location for the younger home business owners is the **North West** region, where 53% of the surveyed home business owners were aged between 25 and 44. They specialise in the Business services.

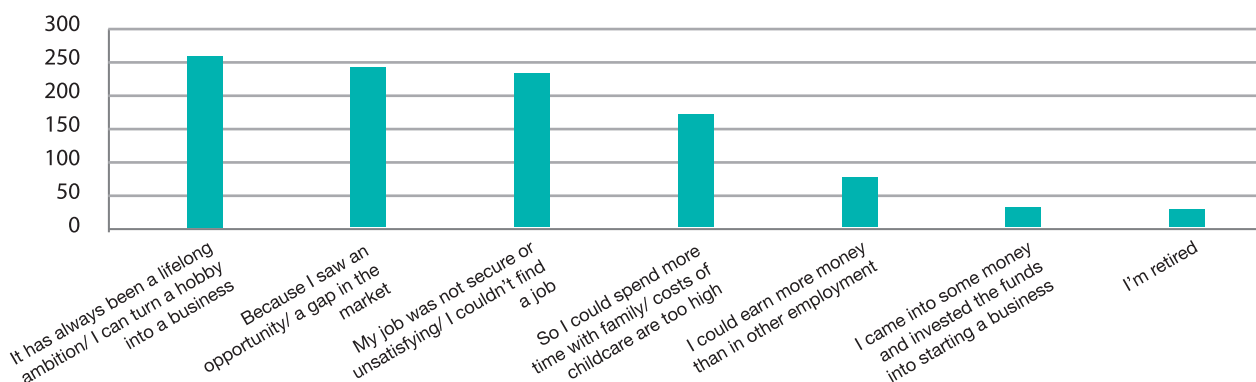
To the contrary, Home businesses owners in the **North East** (the least popular location for HBB in UK) appear to fall within the older age ranges as 41% of the surveyed in the region were aged 55 and over. Those businesses satisfy predominantly local (24%) and regional customer base (35%) in the Business services sector. Nevertheless, it should be noted that this region is the smallest one in the UK with a population of only 2.6mn people and with the highest regional unemployment - 10.3% in 2013, ONS (2013b). In a way, this is evidence that the lack of employment opportunities does not necessarily lead to an increase in self-employment and home-businesses.

6. Socio-economic significance of Home Businesses

6.1 Motives for starting a Home Business

When asked about the reasons for starting a HBB, the survey respondents highlighted four main motives (Fig.6). The leading one of them is the presence of a lifelong ambition to start a business or turn a hobby into a business.

Figure 6 Motives for starting a Home business



Source: Home Business Survey, Enterprise Nation (2014)

On second and third place with a similar response weight came reasons such as a spotted opportunity in the market or an unsatisfactory/unsecure feeling towards the previously held employment. Despite being ranked fourth, motives stemming from the high costs of childcare as well as the desire to spend more time with family were identified by nearly 3 out of 10 respondents. Additionally, more than 1 out of 10 (14%) homepreneurs indicated that they decided to start their home business as they could earn wages higher than those in other employment. Essentially, these statistics imply that the decision to start a home business is usually self-determined and bringing satisfaction. Besides, they also suggest that one should not be misled to believe that HBB are necessarily lower paid compared to their employee counterparts, simply because estimates on general self-employment indicate a current gap of 22% (ONS, 2014). The likelihood that such estimates are biased and hence, non applicable to HBB, is considerably high, given self-employment's heavy domination by the construction sector, which was one of the most badly affected during the crisis. In fact, it should be noted that homepreneurs have the advantage of being able to avoid many of the unnecessary costs associated with regular employment.

Consider a hypothetical example of a Business Consultant from Cambridge who has a job in London since not enough opportunities are available in his/her hometown. The average annual salary for this occupation is around £40,000. If we assume that a home business owner with the same job occupation earns on average 22% less, this would mean he/she gets £31,200 per year. Now, let's look at the costs that an average employee incurs annually as a result of commuting and other employment related expenses, i.e. the costs that the home business owner saves. Table 1, presents some of the main costs associated with commuting to work for which there are official estimates available.

Table 1 Annual costs incurred by the average commuting employee

Annual season ticket Cambridge – London King’s Cross	£4,536
Money spent on food, snacks and beverages during work hours	£2,679*
Work clothes and shoes	£185
Total	£7,400

Source: ONS, 2013c, Publically available estimates and own calculations

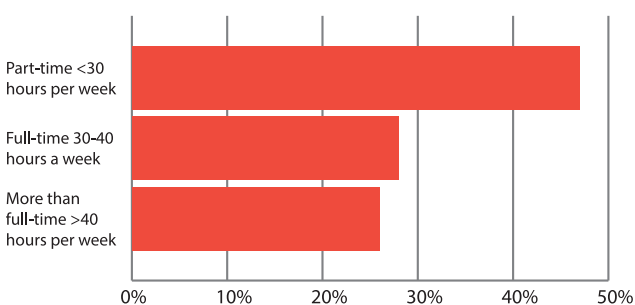
*£10,59 per day x 253 working days in 2014 (source of estimate Working Day Spend Report, 2014)

As visible from Table 1, the real income left for this hypothetical employee, after commuting and other work-associated costs are deducted, becomes £32,600. This means that **once these extra costs are taken into account, the speculated earnings gap between employees and self-employed home businesses would disappear.** In fact, if other costs such as time spent travelling, as well as childcare costs are also included the earning by home businesses may as well turn out to be much higher than those of employees. Therefore, it should be acknowledged that HBBs have the potential to provide a very cost efficient and satisfying working environment for a growing number of people as well as to boost the overall productivity in the UK.

6.2 Home Businesses mode of operation

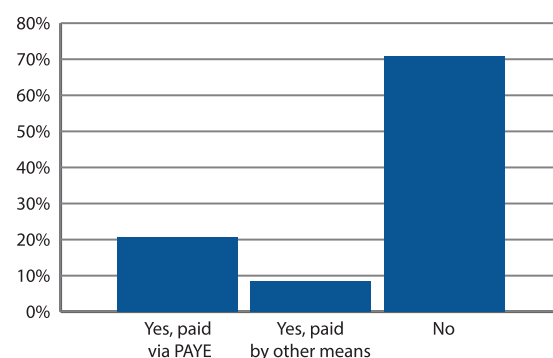
The survey results indicate that **over half of HBBs in UK function as full-time enterprises**, which is similar to what the ONS (2014) data on homeworkers displayed. Nearly 60% of respondents admitted they commit full-time or more hours per week on their business, while the remaining part indicated they work up to 30 hours per week. What’s more, for 71% of the surveyed, the home business represents the main source of income.

Figure 7 Hours per week worked on HBB



Source: Home Business Survey, Enterprise Nation (2014)

Figure 8 Do you also work and are paid by another business?



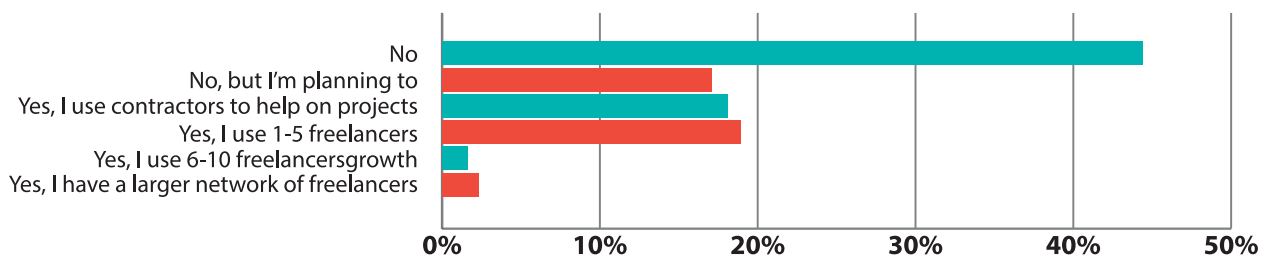
These findings are important as they suggest that a sufficient part of HBBs are in fact enterprises with a significant current and potential socio-economic impact, and not the hobby businesses they often get labelled as. Furthermore, the fact that homepreneurs tend to work slightly longer hours than their employee parallels should not be interpreted as a disadvantage. **HBB owners tend to spend more time working as they get higher satisfaction and expected reward for their efforts.** This in turn, is likely to make them happier than regular employees (Mason, et.al., 2009). According to BUPA (2014) research, employees are often unsatisfied and suffer poor health, preventing 1 in 10 from working at their potential. Of course, one could not discard the fact that

those working for less than 30 hours are not a marginal part of the home business population. However, they are not equally distributed among the different industries. In fact, part-time operating HBBs represent over half of the business population in Catering (59%), Fashion (53%), Leisure and Fitness (67%), and Creative (52%) industries. Having said that, it should be noted that those industries are generally known to rely on part-time employment contracts and this isn't a characteristic specific to HBBs only. Therefore, they should not be allowed to bias the overall home businesses statistic, provided that they represent a minor part of the HBB population. Furthermore, the fact that 46% of HBBs operate on a part-time basis doesn't mean that this is and would be their permanent mode of operation. In fact, the survey data revealed that 35.2% of the part-time HBBs have been established within the last year. Bearing in mind that the older the business gets, the more likely it is to function as a full-time enterprise, it could be argued that **younger HBBs are currently going through a testing and adaptation period which is naturally accompanied by fewer hours of work.**

6.3 Potential to add value through employment, outsourcing, and spending in the local economy

Even though employing supplementary staff is not common among home businesses, our survey results indicate that 12% of them employ at least one extra worker. Based on this newly available data, it could be said that they already have a notable socio-economic role by creating **at least 551,000 additional jobs in the UK.** Besides, home businesses have the tendency to substantially rely on contractors and freelancers (56% already contracting or planning to) and based on our estimates they **already contract between 1.7mn and 4.5mn freelancers.** What's more, those figures are likely to double and triple once contractors are added to the count. Above all, the fact that **16% of home businesses indicate they are planning to outsource work** in the near future is very positive news pointing to a growing trend in HBBs' socio-economic importance.

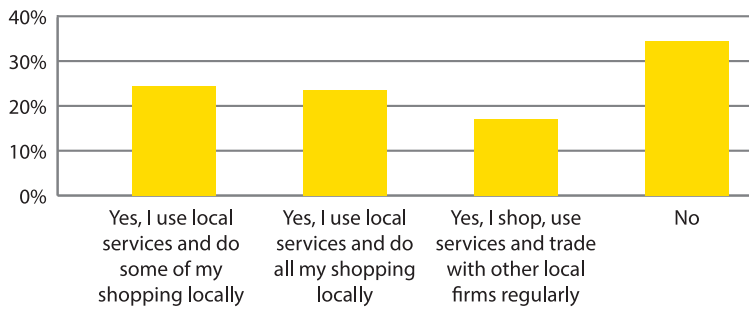
Figure 9 Home Businesses and their tendency to outsource work – Answers to the survey question: Do you outsource work?



Source: Home Business Survey, Enterprise Nation (2014)

Home businesses could also have a stimulating impact on the local economy if the fact that their work is based at home results in increased spending in their local areas. According to the survey data, 65% of the businesses admitted they do spend more money locally. Quantifying such a contribution with the scarcity of currently available figures would be a rather complicated task. However, we could at least make an attempt to do it partially by taking into account the 23% of home businesses who have indicated that as a result of their HBB they use local services and do all their shopping locally. For that purpose, we could use ONS' (2014) estimates of average weekly spending on several components, including: food and drinks, restaurants, recreation, household services, and miscellaneous goods and services costs. With an estimate for the mentioned weekly expenses equal to £261.7 per family and approximately 52 weeks in the year, it could be argued that the minimum that HBB contribute to the local economy is **nearly 40bn per year**, and this is still severely underestimated.

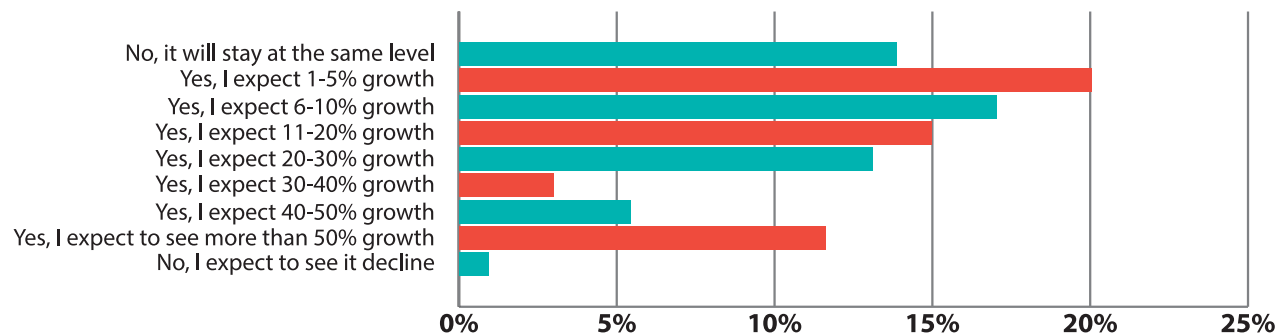
Figure 10 Do you spend more time/money/do more business in your own area as a result of working from home?



Source: Home Business Survey, Enterprise Nation (2014)

6.4 Growth potential

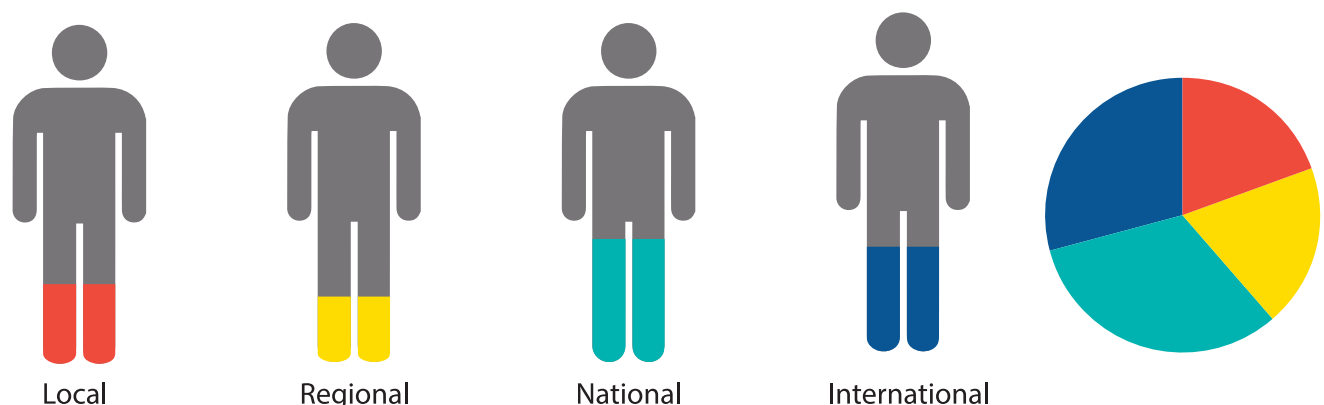
Figure 11 Home businesses' growth expectations for the next 12 months



Source: Home Business Survey, Enterprise Nation (2014)

Home businesses' growth expectations appear very optimistic given that 85% of those surveyed anticipate seeing positive growth figures in the year ahead, and only a mere 15% admitting expectations of stagnation or decline (Fig.11). What's more, a significant proportion of them expect to see double-digit growth figures, which isn't the case in most of the medium and large companies. Furthermore, as visible from Fig.12, the majority of home businesses do not rely on local consumer markets for growth. In fact, an impressive third of the HBB population operate in international consumer markets and equally as many are predominantly involved with national customers. Hence, it could be argued that home businesses are well diversified and able to speed the economic recovery of UK. This army of strongly motivated innovators that are ambitious, keen to grow, and drive economic prosperity, may represent one of Britain's biggest advantages.

Figure 12 Home businesses' customer base



Source: Home Business Survey, Enterprise Nation (2014)

The UK government has already shown positive signs of appreciation towards the significance of this business segment, by announcing a new package to support home-based entrepreneurs, introducing simplified procedures for people running a business from a rented property, as well as exemptions from planning permissions and business rates. However, as already pointed out earlier, one of the greatest obstacles for home businesses, preventing them from achieving their full potential, is probably the lack of experience and available expert guidance on key questions related to the management of the business. According to the survey results, the top three current sources of advice and help for homepreneurs are (1) their own network of professionals, (2) websites relevant to the business specialty and (3) online forums for small businesses. Professional advice only comes fourth in the existing sources of help, while most of the HBBs admit that if they could choose one thing that would enhance their business, it would be a mentor to help them grow their enterprise. Interestingly, investment for new products, help with the workload as well as better working space are accordingly ranked on second, third and fourth place. This confirms our expectation that professional advice is one of the most crucial ingredients for success and homepreneurs are already feeling it.

7. Conclusion

The last two decades were marked by a persistent growth in the number of self-employed in the UK and this trend was further intensified during the recession years of 2008-13. Consequently, this phenomenon was often interpreted as a result of the declining employment opportunities and a sign that the low unemployment figures as well as expectations for economic recovery are built on shaky grounds. However, an important point disregarded by many was the role of Home businesses in the upward trend in self-employment, which could in fact offer a valuable new insight to the most recent socio-economic trends in our society. Up to now, the importance and significance of those were severely neglected and generally associated with the overall self-employment stereotypes.

In order to explore the character and significance of home businesses and challenge existing stereotypes, this study used an online survey distributed to over 60,000 businesses in the UK. Following the analysis of a sample 600 questionnaire responses we can now claim with certainty that Home businesses have been one of the major drivers behind the increase in self-employment and they could become a vital part of the UK's economic recovery and future prosperity in both social and economic aspects.

The survey results revealed that the majority of home businesses are concentrated in Creative, Business services, Retail and Professional consulting industries, followed by Technology, Manufacturing, Fashion, and Catering, while they were least popular in Construction, Event management, and Leisure and fitness. Nearly half of all HBBs (48%) were established within the period of the crisis (2008-13). Yet, any speculations that they have done it because of lack of available employment opportunities were dismissed as between 65% and 86% of those crisis born HBBs admitted they were certain they wouldn't like to return to a regular job. Moreover, the data revealed a continuing upward trend in the number of new home businesses as nearly 30% of respondents indicate they started the business within the last year.

In terms of demographics, the number of female homepreneurs appeared slightly higher than that of males (65% compared to 35% respectively). Over 50% of home business owners in the UK are aged between 35 and 54 years; 21% are aged 18 to 34; and only 4% are over 65 years. For most of those starting an enterprise from their kitchen table (69%), this represents their first ever attempt to

run a business. Thus, it could be argued that home businesses are most popular among middle aged professionals with some years of professional experience which has allowed them to spot an opportunity for a better career development. Additionally, the large number of younger homepreneurs suggests that starting a home business is becoming an increasingly considered option for an early career choice among this population segment. Though, this should not be interpreted as a forced choice. Sufficient evidence indicates that instead it is a personally motivated decision encouraged by the outsourcing trend among firms, the advancement in ICT as well as the entrepreneurial culture which is steadily becoming one of the most typical characteristics of the UK. Geographically, home businesses have formed clusters in the South East of England and London as those regions now host respectively 19.3% and 17.1% of the all home businesses in the UK, while the North East hosts only 3.8% of them. The region with the highest density of female homepreneurs is West Midlands, while the regions with the highest concentration of young home business owners are South West and North West.

The survey dismantled the myths around the motives for starting a home business which have a strong emphasis on the ideas of forced or post-retirement self-employment. According to the survey responses, homepreneurs were motivated to start up an enterprise from home because: (1) it has always been a lifelong ambition; (2) people saw an opportunity in the market; (3) they were unsatisfied with their previous job or couldn't find a suitable one; (4) they could spend more time with family/or avoid high childcare costs; or (5) they could earn more than in other employment. The least cited reasons are retirement and the availability of extra funds for investment, which represented less than 5% of the responses.

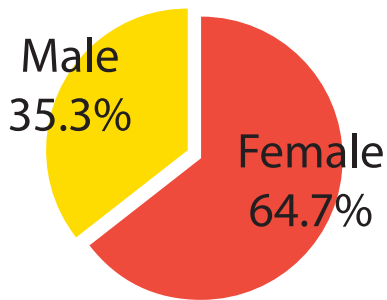
Furthermore, a case study/hypothetical example, demonstrated that, despite the presumption that self-employed people and home-businesses earn lower wages than their employee counterparts, after accounting for all of the saving which a home business owner could take advantage of, the real income of homepreneurs is likely to be on a par with that of employees, and potentially even higher. Consequently, it wasn't surprising to find out that over half of the home business owner worked full-time or more hours on their enterprise and that for 71% of total respondents, the home business represented the main source of income.

The growing socio-economic impact of home businesses was highlighted by the fact that they are already responsible for the creation a minimum of 551,000 employment opportunities and between 1.7mn and 4.5mn freelancer contracts. This is further intensified by the fact that 65% of the surveyed admitted they spend more money and time in their local area, adding a minimum of £40bn that stays in the local economy and contributes to the development of regional economies across the UK. On top of that, home businesses appear to have strongly positive expectations about future growth prospects in the next twelve months, which could only be good news for the overall economy. In order to remove existing obstacles creating unnecessary difficulties for homepreneurs and to make them more visible, the government has already taken steps in the right direction through designing more tailored policies.

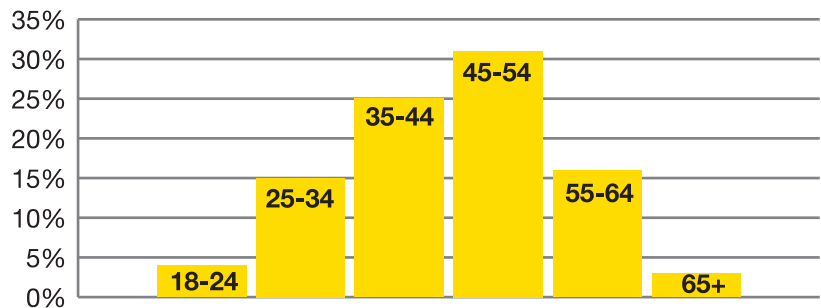
However, one thing that is still not adequately addressed is the scarcity of affordable access to professional advice and business mentoring for HBB, which considering homepreneurs' lack of sufficient business management experience, and the fact that they display a strong preference for easier access to such services, may become a significant obstacle preventing them from reaching their full potential.

Home Business Survey Results

What is your gender?



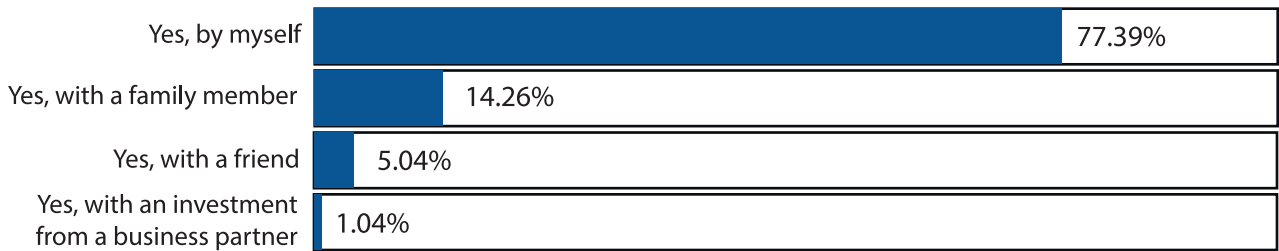
Which of the following age ranges do you fall within?



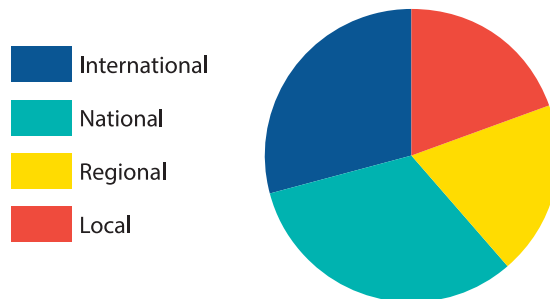
Do you have children under the age of 10 living at home?



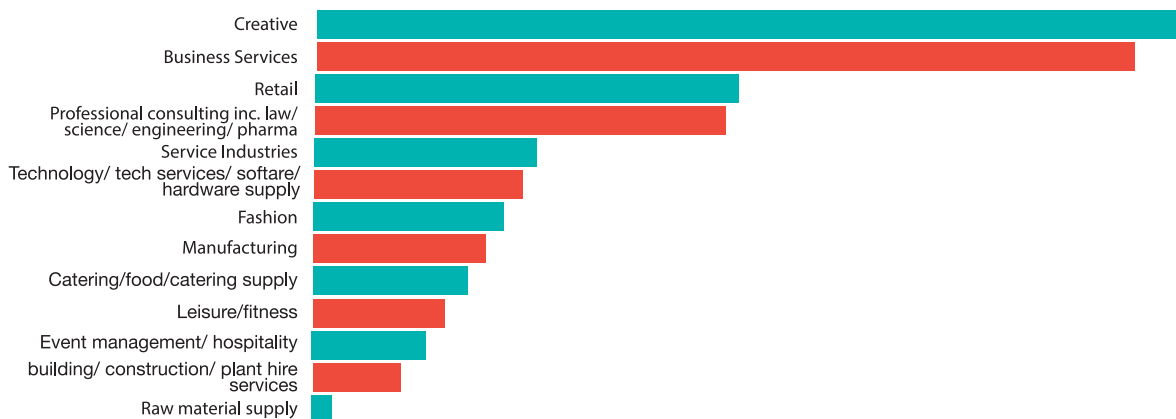
Do you run a business from home by yourself or with others?



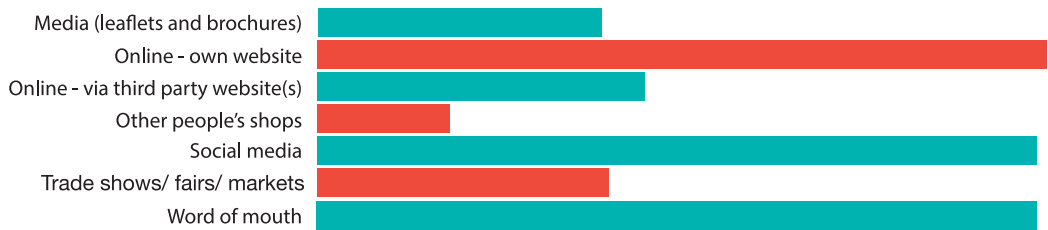
Do you consider your customer base to be local/regional/national/international?



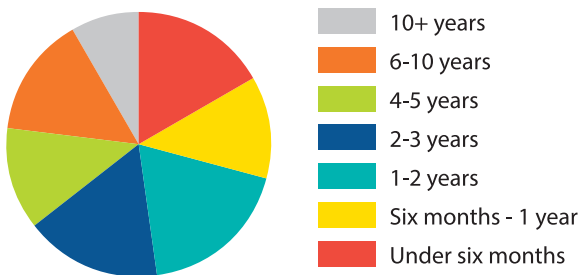
What is your business sector?



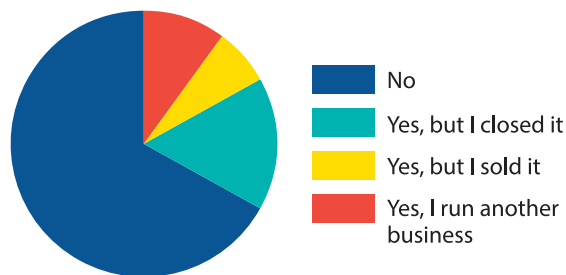
How do you promote your products/services?



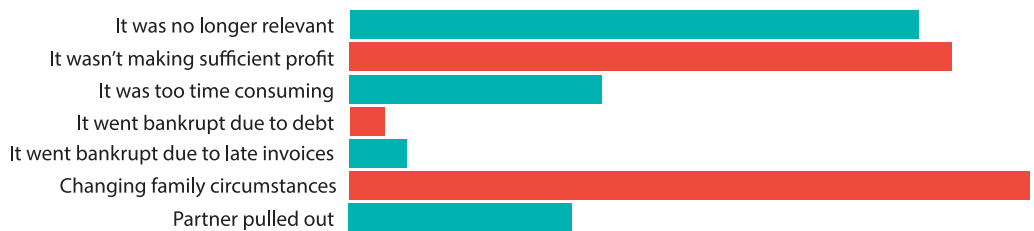
What is the age of your business?



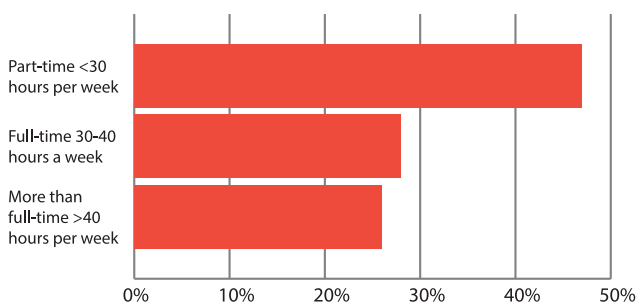
Have you run a business before?



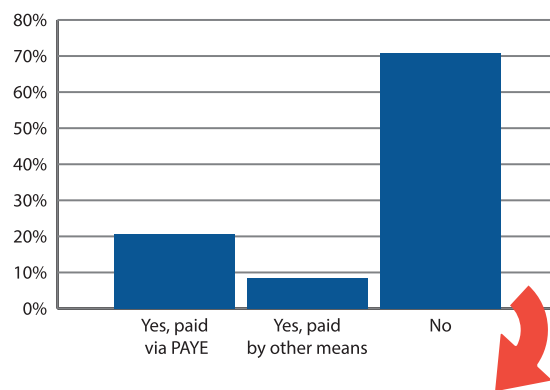
If you answered yes to the previous question, why did you close it?



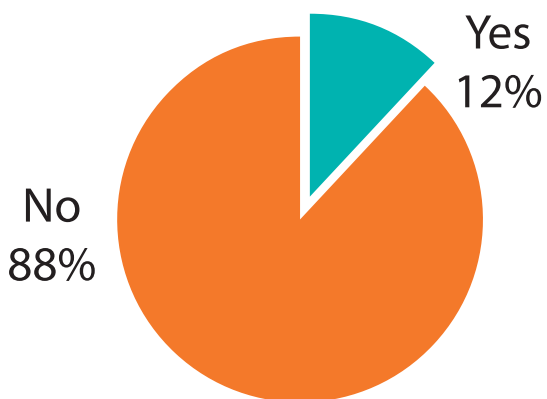
Do you run a business full time or part time?



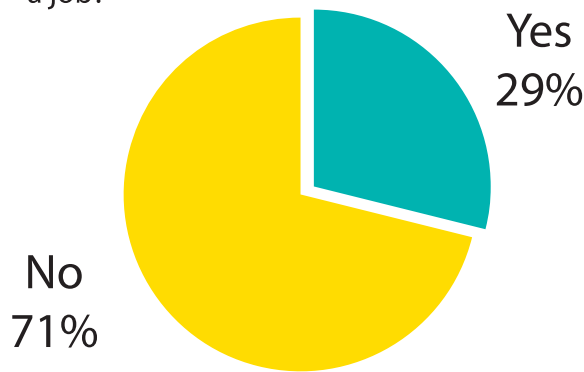
Do you also work and are paid by another business?



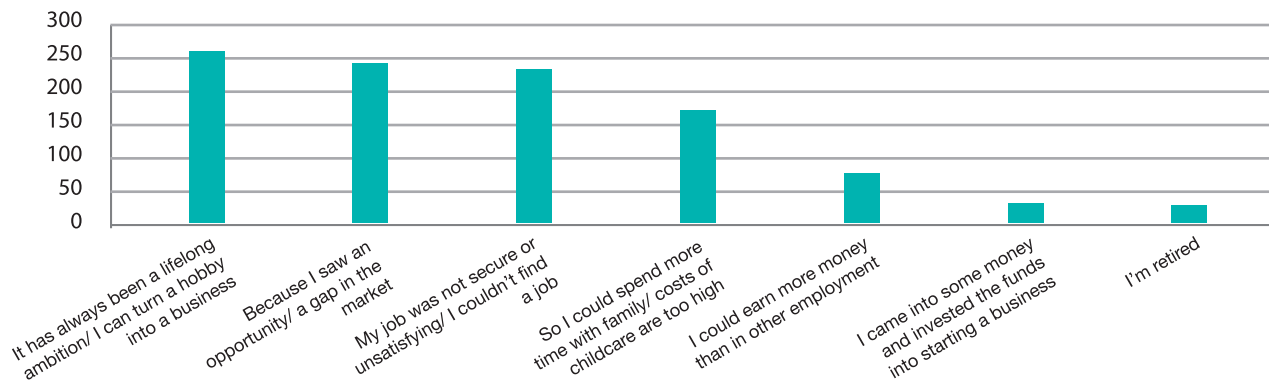
Do you employ anyone?



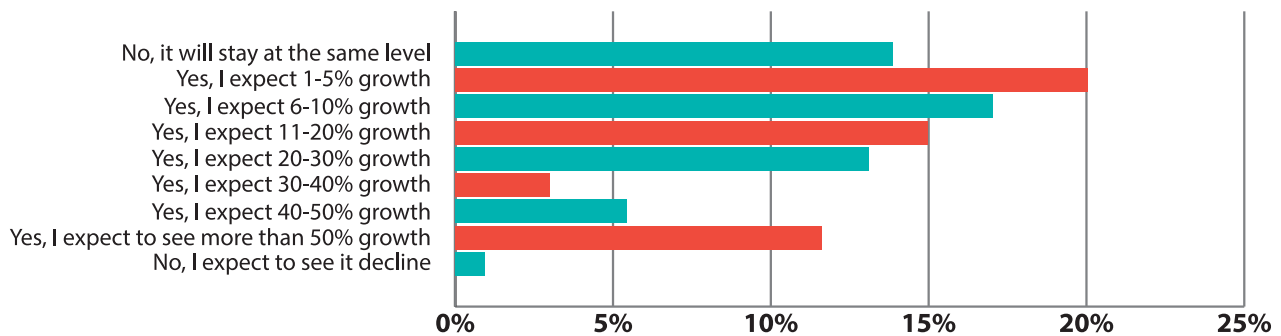
If no, do you eventually want to return to a job?



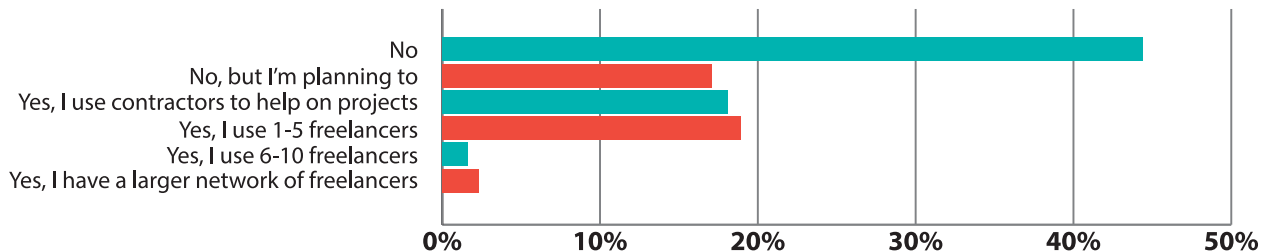
Why did you start a home business?



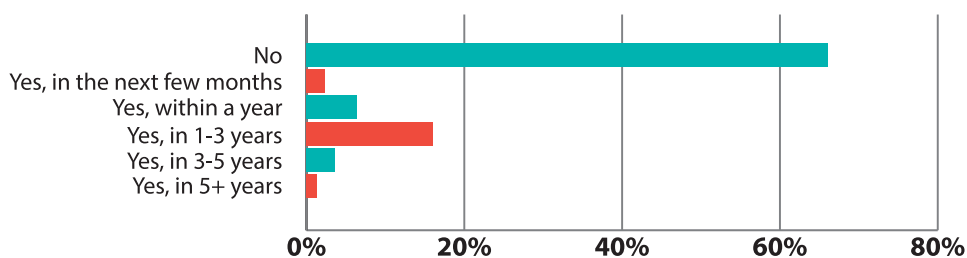
Can you see your business revenue growing in the next 12 months?



Do you outsource work?



Do you plan to move the business out of home?



If you could access one thing that would help your business, what would it be?

1. A mentor to help me grow my business
2. Investment for new products/services
3. Help with the workload/admin
4. A better working space
5. A larger network of peers to share advice/experiences

NB: The response rate in some regions (Scotland and Wales) was not sufficient to allow meaningful analysis.

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