



Invisible Businesses: the characteristics of home-based businesses in the United Kingdom

Colin Mason*, Sara Carter* and Stephen Tagg**

Working Paper, Hunter Centre for Entrepreneurship, University of Strathclyde, Glasgow.

July 2008

** Hunter Centre for Entrepreneurship, University of Strathclyde, 26 Richmond Street, Glasgow, G1 1XH, Scotland. colin.mason@strath.ac.uk, sara.carter@strath.ac.uk*

*** Department of Marketing, University of Strathclyde, 173 Cathedral Street Glasgow G4 0RQ, Scotland. s.k.tagg@strath.ac.uk*

Invisible Businesses: the characteristics of home-based businesses in the United Kingdom

ABSTRACT.

Home-based businesses (HBBs) are now a significant proportion of the small business sector and account for an increasing proportion of business start-ups. However, they are largely invisible, not separately identified in official statistics and difficult to survey. The absence of a clear evidence base has given rise to two stereotypes about HBBs. One dismisses them as lifestyle businesses with no economic potential whereas the other emphasises their environmental, community and social benefits. This paper uses the 2005 survey of members of the Federation of Small Businesses to provide the most comprehensive profile of home based businesses in the UK to date. Home based businesses account for 36% of all businesses. The majority are full-time businesses and around one in ten have achieved a significant scale (10 or more employees, turnover in excess of £250,000). Home based businesses are heterogeneous in terms of their industry sector. Only a small minority are largely or exclusively engaged in e-commerce. There is a striking association between areas with the highest proportions of home based businesses and the geography of economic prosperity. The implication for local authorities is that they should shift their agnostic and in some cases hostile stance towards home based business and instead make them a focus for local economic development.

Key words: home working, home-based business, small business, e-commerce, local economic development

1. Introduction

One of the most significant trends in the post-industrial era has been for the home to become an important focus for work, reversing the forces of the industrial era in which the spaces of home and work were clearly demarcated (Felstead et al, 2005). Pink (2001: 41) observes that “the home itself is being reconfigured as a place that’s not a respite from work, but the central location for it.” In the United Kingdom, according to the 2005 Labour Force Survey 3.1 million people now work mainly from home, comprising 11% of the workforce. This is a 35 per cent increase compared with 1997 when the number of home-based workers was just 2.3 million, 9% of the workforce (Ruiz and Walling, 2005).

The growth in home-based working has attracted a growing volume of research, addressing such issues as work-family boundaries and how they are negotiated (Fitzgerald and Winter, 2001; Tietze, 2002; Felstead et al, 2005), managing at a distance (Felstead et al, 2005) and employee well-being (Mann and Holdsworth, 2003). However, this research is dominated by a focus on home-based *employees*. Significantly less attention has been given to the growth of home-based businesses, even though the Labour Force Survey indicates that nearly two-thirds of all home-based workers are self-employed (a proxy for business ownership) (Ruiz and Walling, 2005). This underlines the extent to which the home is now a significant location for entrepreneurial activity, with one UK commentator claiming that “the home is now the most popular location for start-up” (Enterprise Nation, 2006), while a recent study in the USA concludes that “nascent entrepreneurial activity occurs primarily in the homes of nascent entrepreneurs ...” (Singh and Lucas, 2005: 87).

Although many of the issues of home based working are common to employees and the self-employed, there are also some fundamental differences. For example, home-based employees are linked to an organisation, are managed and are likely to have colleagues with whom they are likely to interact, whereas home-based business owners are potentially more socially isolated. Many home based employees may only work for a proportion of their time at home, spending the rest of their time on the road, meeting clients and collaborators. Hence, from an environmental perspective they may generate more travel than home based employees. Home-based business owners may have more control over the hours that they work, but may also find it harder to create boundaries between work and home. Some home-based businesses employ other people. Home based businesses are also more likely to have greater interaction with their local community for social activities and to obtain advice, information and business services which the home based employee is likely to access from their organisation. Hence, no matter whether the issue of home based work is from a management/labour market, environmental or a cultural perspective it is essential to make a conceptual distinction between those who run businesses from home and employees who work from home.

However, meaningful scholarly and policy discussion about the significance and characteristics of home based businesses and their impact is thwarted both by their invisibility in official statistics and the limited research base. Indeed, much statistical analysis is based on people working from home, a category which includes both employees and business owners. Estimates of the number of home based businesses are particularly sensitive to definitions and data sources. Nevertheless, it is clear that home based businesses comprise a significant and growing segment of the small business population in advanced economies. In the case of the United Kingdom, an

analysis of GEM, which is a telephone-based household survey, reveals that 66% of businesses operate from home¹ (Thompson et al, 2007). The Government's annual small business survey gives a lower figure of 51% but this is based on the proportion of businesses for which the home was the main location for start-up (BERR, 2007a). Meanwhile, Census data indicates that 56% of the self-employed (which does not correspond exactly to business owners) were home-based in 2001 (Dwelly et al, 2006). The proportion of home based businesses may be even higher in other countries. In the USA over two-thirds of all sole partnerships, partnerships and S-corporations are home-based (Beale, 2004), although an analysis of tax files indicates that only 45% of businesses take the home office tax deduction (Pratt, 2006). In Australia a household survey related to the Labour Force Survey found that 67.5 per cent of businesses were home based in 2004, up from 58.3% in 1997 (Australian Review of Statistics, 2004).

The invisibility of home-based businesses also imposes challenges for survey-based research. Specifically, the fears of many home-based business owners – based on uncertainties about their legal position - that they will be subject to regulation, business taxes or eviction if they are 'discovered' by officials may result in significant undercounting. A survey by Horsham District Council identified 8.7% of households who *admitted* to running a home based business but estimated that the true proportion was around 15% (Horsham DC, 2007).

Moreover, the literature on home-based business has largely engaged with issues in the broader home-based employment literature, focusing particularly on work-life and family issues (Berke, 2003; Baines and Gelder, 2003; Fitzgerald and Winter, 2001), or

¹ In this study a home based business is defined as where the respondent's postcode for their home address is the same as that for their business address.

have followed a gender-based research agenda looking at women home-based business owners (Holmes et al, 1997; Jurik, 1998; Loscocco and Smith-Hunter, 2004; Rehman and Frisby, 2000; Walker and Webster, 2004). There have been very few studies – and none in the UK - that have provided a detailed economic profile of home-based businesses.

In the absence of a clear evidence base, views of home-based businesses have polarised around two stereotypes. One view dismisses home-based businesses as comprising lifestyle or hobby businesses, operating part-time, often women-owned, and economically insignificant. This view encourages policy-makers to adopt a non-interventionist stance. The alternative perspective highlights the economic, social and environmental benefits of home-based business – strengthening local economies by job creation and through their commercial linkages, thereby reducing local economic leakages, enlivening day time neighbourhoods (in both rural areas and suburban dormitory suburbs) and increasing their safety and security, providing a means of achieving work-life balance, and enabling people who are tied to the home for social or physical reasons and therefore excluded from the labour market (e.g. those who have family caring responsibilities or are disabled) to be economically active (Pratt, 2006). The reduction in commuting also creates environmental benefits. Another advantage is the provision of childcare at home, which some commentators have suggested has the further benefit of creating the next generation of entrepreneurs as children become involved in their parents' home-based business (Enterprise Nation, 2007). These benefits would justify policy intervention to encourage home based businesses. But because of the invisibility of home-based businesses they are largely ignored in economic development strategies of national, regional and local governments and fall under the radar of business support agencies, with their specific

needs neglected. For example, LiveWork Network, in a report for England's Commission for Rural Communities, has suggested that "home based businesses are now a critical part of the economy ... [of] ... rural areas and market towns" (Dwelly et al, 2006) and a key driver of rural sustainability, yet is largely ignored by all levels of government and the business support agencies. One of the few examples of positive support for home-based businesses is in Australia where several suburban local councils have been convinced by the social and economic benefits of home-based businesses to have introduced various business and planning support initiatives (Commonwealth of Australia, 2004; Walker et al, 2004). Horsham District Council in South East England has also developed initiatives to support home based businesses, notably a 'MicroBiz' Fair (Horsham DC, 2007).

It is, therefore, clear that there is a need for a much stronger evidence base on home-based businesses, particularly if government is to develop meaningful policies. This paper takes a first step in this direction by drawing on a large survey of SMEs which enables us to provide the most comprehensive profile to date of home-based businesses in the UK. It addresses three fundamental questions about the home based business sector:

- What proportion of the small business population operates from home?
- What is the economic significance of home based businesses?
- To what extent and in what ways are they distinctive from other types of SMEs?

The answers to these questions will provide a stronger basis for assessing whether local and national policy makers should adopt a more supportive stance towards the home based business sector.

2. The Growth of Home Based Business

The growth in the significance of home-based businesses is deeply entwined with the revival of the small business sector that has characterised advanced economies over the past 25-30 years. First, cultural attitudes towards self-employment have become more positive. The social contract between business and labour, in which large companies provided lifelong employment, steady pay increases with seniority and generous pensions in exchange for employee loyalty and commitment, started to break down in the 1980s. Few large companies now offer long term job security and other benefits of working in the corporate sector have disappeared. Pension schemes have been curtailed or closed, seniority systems have given way to performance pay, workloads have increased and work schedules are increasingly long and inflexible. As a consequence, working in the corporate sector has become less attractive and rewarding, especially for Generation X (the post-baby boomers) who have become increasingly willing to leverage their skills and professional networks to work for themselves (Institute for the Future/Intuit, 2007a). Generation Y (the children of the ‘baby boomers’) – perhaps influenced by the experience of their parents in the corporate world – are less likely to be attracted by corporate careers and more likely to want to maintain their independence and ‘own’ their own careers, and so are also much more likely to work for themselves compared with previous generations (Institute for the Future/Intuit, 2007a).

Meanwhile economic, cultural and technological changes have opened up opportunities for small businesses. Sectoral shift, involving the decline in manufacturing and growth of business and personal services, has been a key driver because of the lower barriers to entry in many parts of the service sector on account of the absence of economies of scale. Restructuring and downsizing by large

organisations – as well as providing a ‘push’ to employees to start their own businesses - has also created market opportunities through outsourcing. Growing affluence has led to the fragmentation of markets as customers have demanded products and services tailored to their specific needs. One type of small business that have been favoured by this trend is craft businesses producing one-of-a-kind and limited runs of speciality goods for customers seeking unique, customised or niche products (Institute for the Future/Intuit, 2008).

Finally size and economies of scale have become less important. First, more and more costs of doing business are becoming variable rather than fixed on account of increasing opportunities to outsource (e.g. distribution and shipping), reducing start-up costs. Second, powerful ICT technology in the form of cheap and powerful personal computers and software, and other innovations (e.g. express parcel delivery, printing and copying) have provided small businesses with the power, scope and access of large companies, enabling them to look, perform and compete like large businesses, but without sacrificing the independence and flexibility of being small. Third, small businesses are increasingly able to access technology through ‘plug and play’ access and open source hardware (Institute for the Future/Intuit, 2008). Online social software and other connective technologies is encouraging collaborative relationships between small businesses. Advances in production technologies which connect PCs to a wide range of machine tools have also encouraged small scale manufacturing (Pink, 2001; Institute for the Future/Intuit, 2007b; 2008). Fourth, the internet, money transfer mechanisms, reliable global shipping, the decline in informal trade barriers and networks created through immigration have all made it easier for small businesses to serve global markets (Institute for the Future/Intuit, 2008). The

internet has been particularly important in enabling small businesses to cost-effectively serve small market niches (the 'long tail' phenomenon).

Some of these trends have specifically favoured the formation of home-based businesses. First, ICT – laptop computers and associated software, mobile phones and high speed internet access – means that “where there’s a signal, there’s a workplace” (Rigby, 2008). Knowledge workers not only have “the tools to work from pretty much anywhere” (Business Week, 2005) but can also co-operate, collaborate and coordinate with independent workers and companies separated by geography to work on collaborative projects (Institute for the Future/Intuit 2007b). Second, the nature of many service businesses means that they can be run as one-person businesses from home. The key requirements for many knowledge-based professional services businesses (e.g. accountants, web site developers, on-line traders, consultants) are IT equipment and internet access which require little space. Oakley (2007) has highlighted the growth of independent remote traders – many of whom used to work in the City of London - who are able to trade in sophisticated derivatives from home as a result of new 'black box' technology. Of course, many 'low tech' businesses – e.g. hairdressers, interior designers, party planners – and craft-based businesses also operate from home. Third, running a home based businesses is seen as providing a flexible form of economic activity (e.g. number of hours worked, time periods worked and location of work) and an enhanced quality of life which people are increasingly willing to trade-off against economic prosperity. Commentators frequently emphasise how running a business from home is a means of combining work with family or outside interests. Oakley (2007) comments that although the growth of remote trading has been facilitated by technology, the attraction for the individuals involved has been better work-life balance and the avoidance of commuting-related stresses, but without

compromising earnings potential. The ability of a home based business to combine work with family is a particularly attractive option for young mothers ('mompreneurs'). The business enables them to keep up their professional, intellectual or artistic interests and earn an income without compromising the needs of the family (Institute for the Future/Intuit, 2007a).² A new form of dual income household has emerged – corporate/SOHO – comprising one partner who works in a relatively secure corporate job with benefits which allows the other to start a more risky personal business (which the corporate partner might join in due course if it becomes successful). This model helps avoid some of the family/work stress involving in juggling two corporate careers and reduces childcare costs while providing two incomes and corporate benefits (Institute for the Future/Intuit, 2007a). However, in many cases, notably people who are tied to the home for caring or other reasons, the driver for the creation of a home based business is simply that this is the only means of generating a second household income which is needed by many families in order to maintain a decent standard of living.

3. Data Sources

This paper is based on responses to the Federation of Small Businesses' 2005-6 biennial survey of its membership (Carter et al, 2006). The FSB biennial surveys are among the largest non-government business surveys in the UK. They are designed to reflect and represent the current attitudes and opinions of a very large number of small business owners and, in turn, to inform local, regional and national policy towards the small business sector. Data were collected by a postal survey questionnaire distributed to 169,418 FSB members in September 2005. The questionnaire was also available to complete on the Internet, and was available on request in six languages. In total,

² One recent UK survey by Axa Protection suggests that one-third of new or expectant mothers aim to set up their own business and 34% are either currently working from home or are looking to start a home-based business (www.startups.com accessed on 12 January 2008)

18,939 usable responses were received by the cut-off date, a response rate of 11.17%. Comparison with VAT statistics indicates that FSB respondents are fairly typical in terms of region and sector. Nevertheless, some deviation is inevitable since only 77% of FSB respondents are registered for VAT.

Conceptually a home-based business can be defined as any business entity engaged in selling products or services into the market operated by a self-employed person, with or without employees, that uses residential property as a base from which they run their operation. This includes two types of businesses: those where the work (production or service) occurs in the home, and those where the work occurs away from the home with the home serving as the administrative base. However, this definition also captures contractors, agency workers and other 'Free Agents' (Pink, 2001) who are effectively in the employ of other organisations, and farm-based businesses, both of which are excluded from most definitions of home-based businesses (Monin and Sayers, 2005). Unfortunately, our data cannot capture these subtleties. In this study a home based business is defined on the basis of self-report data as a respondent who ticked the 'home' option in response to the question "From what type of premises do you operate your business?"³ A further limitation is that because of the nature of the survey, which covered a wide range of topics, it was not possible to explore any individual topic in depth. Thus, there were just three specific questions for home-based businesses. On the other hand, the range of topics covered, allied to the scale of the survey, enables a comprehensive comparison to be made between home-based businesses and the remainder of the small business sector.

4. The Significance of Home Based Businesses

³ The full list of available responses to this question were: home; retail/shop unit; office; warehouse; factory, workshop, business unit; quarry, mine, brickworks, etc; agricultural buildings; and other commercial premises.

The data confirm the significance of the home as a location for small businesses. Home based businesses account over one-third (36%) of all small businesses in the sample, with home by far the single most important location for small businesses, exceeding those businesses which operate from retail premises (21%), a factory, workshop or business unit (19%) or office premises (18%). The majority of home-based businesses operate from exclusive space within the home – either a room that is solely used for business purposes (48%), attached or external premises (e.g. garden hut) (16%) or an extension to the house (6%). The proportion of home based businesses is lower than reported by GEM or in the Government’s small business survey (see earlier). However, this is likely to be explained by the nature of the survey population, with FSB members likely to be biased towards full-time businesses whereas other estimates of the size of the home based business population is likely to include higher proportions of part-time and hobby businesses. This needs to be borne in mind in the remainder of the discussion.

The notion that much of the home based business sector is dominated by part-time activity is challenged in this study. Our evidence indicates that the majority of home-based businesses operate on a full-time basis (Table 1). Certainly, home-based businesses are more likely to operate on a part-time basis than other businesses, with 13% of owners of home-based businesses working for less than 30 hours a week compared with only 4% of other owners. The owners of home-based businesses are also less likely than other business owners to rely on the business as their only source of income (61% cf. 71%) and more likely to have other sources of income, notably other employment (9% cf. 4%) and pensions (13% cf. 6%), suggesting that home based businesses are part of a portfolio of income generating activities for a significant minority of owner. Nevertheless, nearly three-quarters of owners of home-

based businesses work more than 40 hours a week in their business. This is a higher proportion than reported in US studies (Phillips, 2002; Pratt, 2002) and is likely to be explained by the nature of the sample frame used in this study.

The second significant insight from the data is that for the majority of businesses a home location is a deliberate choice made either for cost-minimisation reasons (65%), convenience (54%) or because the nature of the business did not require commercial premises (44%) (Table 2). Only a small proportion of businesses are classified as home-based because the business premises also includes living premises (10%). Lifestyle considerations, such as to accommodate family needs (28%) and to avoid the need for commuting (28%), are only of secondary importance as reasons for operating the business from home. It is also interesting to note that providing flexibility in the choice of where to live is also a minor reason for starting a home based business, cited as very important by 16% but unimportant by 51%.

Nevertheless, home-based business owners are much more satisfied with their quality of life than other small business owners. Asked to compare their quality of life with what it might have been if they were not a business owner 55% thought it was better (compared with 45% of other business owners) whereas only 24% of home-based business owners considered that it was worse (compared with 35% of other business owners). However, this did not appear involve a financial trade-off for most home-based business owners. There was little difference between home based business owners and other business owners in terms of their answer to the question about their financial standing compared with what they might have expected if they had not been a business owner. The proportion of home based business owners who considered it to be worse (38%) was little different to that of other business owners (36%) and was

lower than the proportion thinking that it was better (39%, cf. 42% of other business owners). The inference that can be drawn from these figures is that although some owners of home based businesses have made a trade-off between income and quality of life there are also many who enjoy a better standard of living and a better quality of life as a result of running their business from home.

Two other findings are also of note. First, most respondents saw the home as being the permanent location for the business. Only 10% said that a home location was temporary and that the business would move to commercial premises when it was bigger, and only 20% described the home location as a low risk means of 'testing the waters'. Second, only 12% of home based businesses could be described as 'accidental' businesses which started as a hobby and grew, which again serves to underline that the majority of home based businesses are deliberate and serious economic undertakings.

5. The Geography of Home-Based Businesses

Home based businesses have a distinctive geography. At the regional scale the proportion of home-based businesses above the national average (36%) in just three regions - South East England (41%), South West England (41%) and Scotland (37%) (Table 3). Home based businesses are least significant, in terms of their proportion of the small business population, in Northern Ireland (18%), the North East (29%), Yorkshire and The Humber (29%) and the North West (30%). Indeed, there is a close correspondence between those regions with low proportions of home-based businesses and those with the lowest rates of new firm formation. Superimposed on this regional contrast is an urban-rural dimension, with the proportion of businesses which operate from home significantly higher in rural areas than in urban areas

(Tables 4 and 5). These two geographies of home-based businesses are reflected in Figure 1 which shows the proportion of small businesses that operate from home by post code area. Areas with the highest proportions of home based businesses comprise a dual population: (i) affluent towns and cities and their rural hinterlands in southern England, particularly a south west axis running from Slough, through Kingston upon Thames and Reading to Salisbury, and (ii) a group of remoter rural counties, notably the Highlands and Islands of Scotland, south-west Scotland, mid Wales, East Anglia and South West England. This, in turn, suggests that the growth of home based businesses may be different in southern England compared with remoter rural areas and the nature of both the businesses and their owners may differ. Generalising about home based businesses on the basis of small area case studies, or even regional studies (e.g. Step Ahead Research, 2005), may therefore be potentially misleading. Areas with the lowest proportions of home-based businesses comprise the major provincial cities (e.g. Liverpool, Manchester) and older de-industrialised towns in the north of England and West Midlands (e.g. Wigan, Sunderland, Blackburn, Huddersfield, Hull). The link between economic prosperity and home-based businesses is supported by evidence that only 11% of businesses in the 1000 most socially deprived areas operate from home compared with 36% in the rest of the country.

Looking at the location of home based businesses in terms of the type of places in which they are based reinforces this dual population feature. Home based businesses are predominantly located in three types of place: residential areas in suburbs (43%), farm/other property in rural areas (21%) and village centres (18%). Also of note is that only 4% of home-based businesses are located in residential areas in inner cities.

6. The Characteristics of Home Based Businesses

Having established that home-based businesses represent a significant proportion of the SME population and have a distinctive geography we now explore the extent to which they have distinctive characteristics. We examine this in terms of sector, age, size and mode of business entry.

Home-based businesses are distinctive in terms of industry sector (Table 6). Home based businesses account for the highest proportion of total businesses activity in computers and related activities (58%), business services (54%), agriculture, forestry and fishing (48%), personal services (45%), construction (44%), financial services (42%) and transport (42%). In contrast, home-based businesses are least significant (but certainly not absent) in the motor trades (12%), retail (14%) and manufacturing (17%) sectors. This highlights the diversity of home based businesses, comprising both traditional trades, which predominantly operate *from* the home and which primarily serve local markets, and newer ICT-based knowledge services, which operate *in* the home, and more likely to be serving non-local customers. However, as Table 7 shows, the notion that e-commerce is driving the growth of home-based businesses is not confirmed. The proportion of home-based businesses which derive over half of their turnover from e-commerce remains small – although is two to three times larger than for the remainder of the SME sector – indicating that businesses which are focused on e-commerce are much more likely to be located in the home.⁴

Contrary to what might be expected, home based businesses are not excessively dependent on their local market for sales: only 47% derive more than half of their sales locally compared with 56% of other SMEs (which may reflect their greater

⁴ However, this does not preclude the likelihood that a high proportion of home-based businesses make intensive use of the Internet to undertake their activities.

concentration of retail businesses). Indeed, home based businesses are more likely than other SMEs to derive a high proportion of their sales from regional and UK markets. Home based businesses in general are less likely to engage in any exporting. However, the proportion of home based businesses deriving more than half their sales from overseas customers – although very low (6%) – is actually greater than for other SMEs indicating the presence of a small proportion of home based businesses that are highly export oriented.

In terms of their age, home-based businesses are younger, on average, than other SMEs, with 29% up to three years old, compared with 21% of other businesses.⁵ Unfortunately, the information is not available to allow us to go on to explore whether this is because of a higher start-up rate of home based businesses, because of relocation from the home as they get older (and larger) or because of a higher mortality rate. Certainly there is a significant proportion of long-established home-based businesses, with 38% being more than 10 years old, suggesting that a location in the home is not an impediment to long-term survival or that home is only a temporary location when the business is being established. Other research has noted that the longer a home-based business has been established the larger it is and the greater the income generated (Orser and James, 1994).

A final distinctive feature is that home-based businesses are smaller than other SMEs. In terms of turnover, 72% of home-based businesses have annual sales of £100,000 or less, compared with just 27% of other SMEs, and 48% have sales of £50,000 or less, compared with only 13% of other small firms (Table 8).

⁵ The actual question was “How many years have you owned this business?”

To some extent this is a function of the part-time nature of a minority of home-based businesses. This will reflect the lower cost base of home-based businesses which enables them to cover their costs on a smaller volume of sales and, in turn, to pursue smaller (but not necessarily less lucrative) opportunities (Singh and Lucas, 2005). It also arises, in part, from a right-censoring problem. Businesses which have out-grown the home are, by definition, excluded. However, it is important not to overlook the tail of home-based businesses that have achieved significant scale, with 10% generating revenues of more than £250,000.

The small size of home based businesses can also be seen when their employment is considered (Table 9). However, it is instructive to note that the majority of home-based businesses do create jobs for more than just the owner(s). Of course, those employed by home-based businesses do not necessarily work in the home of the business owner – and might instead work onsite or in their own homes. Here again, a tail of bigger home-based businesses that employ 10 or more (9%) is evident.

The small size of many home based businesses is reinforced when examined in terms of surrogates for size. In terms of legal status, home based businesses are more likely to be sole traders (46% cf. 26%) and less likely to be limited companies (38% cf. 54%). Home-based businesses are also less likely to be registered for VAT (61% cf. 85%).

However, it is important not to ‘read’ small size as indicating lack of ambition or vitality amongst home-based businesses. More than half (57%) had increased their turnover in the previous year – the same proportion as for other SMEs - and the proportion reporting declining sales was smaller (25% cf. 28%). Admittedly, the

proportion of home based businesses wanting to remain the same size was higher than for other businesses (31% cf. 22%). However, 58% of home-based businesses wanted to grow their businesses (10% to grow rapidly), little different to the proportion of other businesses (63%). But reinforcing the locational inertia theme, only 21% anticipated the need to seek new premises. Moreover, for home-based businesses growth was less likely to result in additional jobs. Nearly two-thirds (64%) expected to remain the same size in employment terms over the next two years (cf. 46% amongst other businesses) and although the proportion likely to shrink their employment was only 5% (compared with 10% of other businesses) only 31% expected to expand their workforce (cf. 44%).

Finally, home-based businesses are much more likely to have been started from scratch by their current owner (88% cf. 70%) and less likely to have been inherited, bought as a going concern or been a management buyout. Home-based businesses are also more likely to be co-owned with a spouse (90% cf. 80%) than other SMEs, and the spouse is also more likely to be involved in the management of the business.

7. The Characteristics of the Owners of Home Based Businesses

We now shift the focus to the owners of home-based businesses. First, it has been suggested that running a home based business might be an option for some people who are prevented from participating in the labour market, for example, for medical or caring reasons. We could only examine this in terms of people registered as disabled. Here it was found that 2.1% of owners of home-based businesses were registered as disabled, only marginally higher than for the owners of other types of SMEs (1.4%). However, the proportions of home based business owners who had not been economically active immediately prior to starting their business (unemployed, a

housewife, retired or long-term sick) were all higher, if marginally so, than in the case of owners of other SMEs. So while the evidence is only suggestive, rather than statistically significant, starting a home based business owners might be a way – perhaps the only way - in which some people can become economically active.

Second, home based business owners are better educated than the owners of other businesses. This is consistent with the earlier evidence which highlighted the high proportion of home-based businesses in knowledge-based sectors. One-third of home based business owners have been educated to degree level or above (34%) compared with just over one-quarter of other business owners (26%), and 30% have professional qualifications, compared with 25% of other owners.

However, owners of home based businesses have had fewer years as business owner-managers than other business owners. Amongst home based business owners, 30% had been owner-managers for five years or less, compared to 21% of other business owners. In contrast 63% of other business owners had been owner-managers for more than 10 years compared with just 52 % of home-based business owners. This is reinforced by other measures of business experience. Home based business owners were marginally less likely to be portfolio entrepreneurs, with 24% currently owning and managing more than one business, compared with 27% of other business owners. Home based business owners are also slightly less likely to be serial entrepreneurs: for 57% this was the first business that they had owned and managed, compared with 51% of other owners.

Owners of home based businesses are not significantly older than other business owners: 7% are under 35, 54% are 35-54 and 39% are 55 and over, including 8% who

are 65 years old and over, little different from that of other business owners (6%, 57% and 36% respectively). Two points can be made from this evidence. First, we can infer that a significant minority of home based businesses does comprise a pre-retirement cohort, although as noted earlier, only 13% are actually drawing a pension. Second, only a small proportion of individuals are using a home based businesses as a means of working beyond the official retirement age.

Finally, with respect to gender issues, media coverage of home based businesses emphasises the opportunities that this provides for women to become business owners. However, the reality is that only 14% of home-based businesses are 100% owned by one or more women, although this is higher than other types of SMEs (10%). The majority of home-based businesses are either 100% male owned (44%) or equal male-female ownership (33%). Other studies have highlighted differences in the ages, motivations and expectations of male and female owners of home-based businesses and the types of businesses that they start (e.g. Holmes et al, 1997; Walker and Webster, 2004).

8. Under the Radar? Effect of Legislation and Use of Advice

It is widely suggested that home based businesses are uncertain of their legal position and confused about which regulations apply to them (Bridges, 2007). Home based business owners fear that local authorities and public agencies will regulate them, tax them or even forbid them from working from home, hence they strive to remain invisible to the authorities. Our evidence provides partial support for the view that home-based businesses are less likely to be regulated (Table 10). Around 20% of home based businesses regarded issues associated with business legislation as not relevant, more than twice the proportion of other small businesses. The proportion of

home based business owners reporting that they were dissatisfied or very dissatisfied with aspects of the legislation – although ranging from 30% to over 50% - was also lower than that of other small business owners where dissatisfaction levels ranged from 40% to over 70%. Thus, it appears that at least some home based businesses are able to avoid the adverse impacts of ‘red tape’.

In terms of their engagement with enterprise support agencies, home based businesses were marginally more likely than other SMEs to have sought advice from government funded and other official bodies (e.g. RDA, tourist board) in the previous year.

However, the proportion doing so was small – for example, just 5.5% of home based businesses sought advice from government funded business support organisations (Business Link, Business Gateway, Invest, Business Eye).⁶ More than one-quarter of home based businesses did want or need support (compared with only 21% of other SMEs). However, the main reasons for the very limited use of government business advice organisations by home based businesses was lack of awareness of these services (33%), inappropriate for my business (20%) and business is too small (20%). Indeed, home-based businesses were less likely than other SMEs to seek advice from any source (17% cf. 12%), with the more limited use of solicitors particularly notable (18% cf. 34%). Their use of accountants was similar (55% cf. 54%).

9. Conclusion

Debates about home have been characterised by dualistic thinking (Blunt and Dowling, 2006), with the separation of home from work being a prime example. Of course, home has always been in part a workplace – a place of both unwaged and waged domestic labour, a site of consumption which often requires unpaid work by the consumer (e.g., DIY, cooking) and a place of commerce (e.g. ‘party plan’ selling)

⁶ The equivalent proportion for other SMEs was 4.5%.

(Blunt and Dowling, 2006; Hudson, 2005). Moreover, home working never entirely disappeared with the emergence of the factory system of production. We are in the midst of a revival in home-based working, largely driven by advances in ICT, which has attracted increasing attention from researchers and other commentators. However, this research has generally failed to differentiate sufficiently between home-based working by employees and the operation of businesses from home by self-employed individuals. While many of the issues are the same for both groups, notably how time and space are negotiated with other household members, self-employed workers operating from home are distinctive in several respects. Specifically, they are not subject to the same supervisory or surveillance regimes. They are also more isolated both socially and from access to information because they have no organisational links. Hence they have greater need to forge local social and business networks to access information, advice, support and infrastructure. The rationale for this paper is that home based businesses should be the focus of enquiry in their own right, both on account of their distinctiveness from home based employees and also their economic significance as a proportion of the stock of small business. The aim has simply been to contribute to the evidence base on home based businesses and in so doing to challenge some of the stereotypes that exist by providing the most comprehensive profile of home-based businesses in the UK. Our key findings are as follows.

First, it is clear that home based businesses account for a significant part of the small business sector. This study – which uses a database that would be expected to under-report home based businesses - nevertheless has found that 36% of small businesses operate from home, which suggests that the true figure may be larger than this.

Moreover, as Phillips (2002: 47) states, “home based businesses are not going away. Quite the contrary.” All of the discussion on this topic predicts that the home will

become even more important as a focus for business activity. Demographic trends will be a key driver. The ageing of the population, increasing longevity and improved health means that there will be more and more people of post-retirement age who either wish to continue to be economically active or have a financial imperative to do so. Thus, we can expect to see more older people running businesses from home in semi-retirement. At the other end of the demographic spectrum, Generation Y – the ‘digital generation’ – are predicted to be highly entrepreneurial and more likely to form their own businesses than previous generations (Institute for the Future/Intuit, 2007). Moreover, the digital technology focus of Generation Y means that many of their businesses are likely to be home-based. Second, rising costs of commuting and the increase in congestion will encourage more and more people to work from home. If carbon taxes are introduced this will provide a further discouragement to commuting. Third, affordable and powerful new technologies will continue both to create new opportunities for small businesses and also to increase locational flexibility, allowing many kinds of work to be carried out ‘anywhere’ (Orange Future Enterprise Coalition, 2006) and on ‘my time’ and ‘my terms’ (Institute for the Future for Intuit, 2007b).

Examples include the following:

- platform companies which help with building on-line businesses, search engine marketing tools, new tools and web services which enables new online services to be formed (e.g. ‘mash-ups’) will all create new opportunities that can be exploited by businesses which operate from home (Institute for the Future/Intuit, 2007b).
- advances in production technologies (e.g. PC-controlled machines) which enable ‘artisan’ entrepreneurs to serve the growing demand from customers for unique, customised or niche products (Institute for the Future/Intuit, 2008).

- ICT developments which are increasing the potential market that can be served from home.

Second, the paper has challenged the simplistic stereotype that dismisses home based businesses as part-time, small and marginal and therefore of no economic significance. Certainly, a minority of home based businesses are one-person enterprises operating on a part-time basis and in some cases supplementing the owner's other income sources. However, a majority do employ other people and just over half are generating revenues of over £50,000 per annum. Moreover, it is important not to overlook both the small proportion of home based businesses (approximately 10%) that have achieved a degree of scale and those businesses, not separately identified in the study, for which the home was a critical incubator but have subsequently moved into commercial premises in order to expand.

Third, attempts to generate simple stereotypes of the home based business sector are undermined by its heterogeneity. Although business services and computer and related activities dominate the home based business sector they only account for just over one-quarter of the total. In fact, home based businesses are found in virtually all sectors. Moreover, contrary to what media coverage would imply, home based businesses based on e-commerce (including e-Bay trading) account for a small minority of the total.

There are a number of wider implications that arise from the size, and anticipated growth of the home-based business sector. The first concerns the housing market. The growth in the number of home-based businesses is likely to lead to a growing demand for domestic properties that can accommodate home businesses. For many people,

house design and layout may therefore become essential criteria in the selection of appropriate housing accommodation (Green et al, 2000). One Australian study (of a suburban municipality in Melbourne) noted that over 35% of home-based business owners had chosen their current home with a view to establishing a business there (Hitech Marketing Services Pty, 1998). The implication for new home builders is that a home office is likely to become an expected feature. Economic activity might be expected to become depressed in areas in cities with a high proportion of housing stock that is inappropriate for operating a home based business (or certain types of home based business), such as high rise apartments, tenements, terraced housing, town houses and starter homes, and areas dominated by particular types of tenure, notably social housing whose rules may prevent tenants from running businesses from home. Housing type and tenure may therefore be significant obstacles to the revitalisation of socially deprived areas. Live-work spaces – a new category of property specifically designed for dual residential and employment activity – are being actively developed as strategies for both urban and rural regeneration (Dwelly, 2003)

Second, since home based businesses lack access to the back up resources of a parent organisation they require to leverage external resources. This, in turn, increases both the social and economic activity in their neighbourhoods. These resource needs are of four types. The first is complementary business services such as copy and printing shops, office supply stores, postal services, overnight delivery services and IT support (Pink, 2001). Second, some home based businesses need formal meeting spaces, access to business support facilities (e.g. internet access, video conferencing, printers, copiers, etc.), co-working space, ‘head down’ space and ‘touch down space’ (Pink, 2001). This need is being met by property developers who are providing flexible

office space targeted at the SME rather than the corporate market. Increasingly, these spaces may also provide training facilities for home based business owners (Institute for the Future/Intuit, 2007b). The third is informal meeting spaces. Finally, to counter the loneliness of working on their own and to compensate for the loss of the social environment of their previous workplace home based business owners need social spaces to congregate with like-minded peers to counter time spent in isolation. Lonier and Bamford (2004) observe that these informal meeting and networking spaces occur in coffee shops. They note that coffee shops are “the new entrepreneurial office”, providing both informal workspace (e.g. for meetings and as a place for ‘head down’ work) for home-based business owners and also social and psychological support by enabling such individuals to create a community with other self-employed workers equivalent to the corporate ‘water cooler’. Lonier and Matthews (2004) therefore argue that home based business owners use places such as Starbucks not just for traditional bootstrapping reasons as a source of free meeting space but also because they need to be part of a larger workforce environment in order to avoid the isolation of solitary home-based work, particularly as many are ‘corporate refugees’. All of this activity boosts local economic development.

Third, the growth of home based employment, and home based businesses in particular, has implications for various types of legislation and regulation which were designed for a world in which the workplace and the home were separate. So, for example, the applicability of many tax regimes (e.g. capital gains tax, business rates), planning issues, municipality by-laws and regulatory issues to home-based businesses is often unclear, creates huge uncertainty for the owners of home-based businesses.⁷

⁷ For example, Government advice to home-based business owners about the implications for capital gains tax states that “every business is different and the tax implications differ from one business to another.” Similarly advice on business rates states that “whether your local authority charges business rates or not depends on the degree of business use ... each case is considered individually.”

This encourages them to stay ‘below the radar’ of state agencies for fear of regulation, being subject to tax or higher charges, being restricted in their activities or even being forbidden (Dwelly et al, 2006). This, has two consequences. First, it makes it difficult to deliver business support services to such businesses, which contributes to their low penetration amongst the small business sector (Bennett and Robson, 2003). From a regulator’s perspective, many aspects of laws relating to the workplace (e.g. employment law, health and safety) are hard to enforce. Second, being ‘out of sight’ leads to home based businesses being ignored by government.

Government in general, and local authorities in particular, therefore need to accept home based businesses as a legitimate form of economic activity and one that is both distinctive and economically significant. The perception appears to be that local councils are opposed to people running businesses from home whereas they should make it a focus for local economic development policy. There is a striking association between areas with the highest proportions of home based businesses and the geography of economic prosperity (although we cannot establish the direction of causality) which would suggest the local councils in particular should become actively involved in supporting the home based business sector. Research by Horsham District Council in South East England, which does actively support home based businesses, has noted a demand from home based businesses for training, networking and information on regulations (Horsham District Council, 2007).

Finally, as the home increasingly also becomes a place of work – and specifically a place of business – this adds to the complexity of home as a theoretical concept. Blunt and Dowling (2006: 2) argue that a home is more than a physical location which provides shelter: it is “also an idea and imaginary that is imbued with feeling.” So, if

home is being transformed into a place in which the domestic and the commercial become juxtaposed then this must inevitably create distinctive feelings, attachments, experiences and meanings of home, adding to its porous nature and forging new relational geographies.

Acknowledgements. Although the paper is based on data collected for the Federation of Small Business's biennial membership survey it is an independent study and does not necessarily represent the views of the FSB. Earlier versions were presented at a Department of Trade and Industry seminar on Home-based Enterprises (London, 1 March 2007); a seminar at KITE, University of Newcastle (5 March 2008) and at the 53rd International Council for Small Business (ICSB) World Conference in Halifax, Canada. We are grateful for the feedback received. We are also grateful to Mark Freel for his comments on a draft of the paper.

10. References

- Australia, State and Territory Governments (2004) *Home-Based Business, Local Opportunities*, Commonwealth of Australia, Canberra.
- Australian Bureau of Statistics (2004) *Characteristics of Small Business: 8127.0*, Australia (Reissue) 2004. www.abs.gov.au/Ausstats/
- Baines, S and Gelder, U (2003) What is family friendly about the workplace in the home? The case of self-employed parents and their children, *New Technology, Work and Employment*, 18, 223-241.
- Beale, H B R (2004) *Home-Based Business and Government Regulation*, SBA Office of Advocacy, Washington DC.
- Bennett, R and Robson, P (2003) Changing use of external business advice and government support by SMEs in the 1990s, *Regional Studies*, 37, 795-811.

- Berke, D L (2003) Coming home again: the challenges and rewards of home-based self-employment, *Journal of Family Issues*, 24, 513-546.
- BERR (2007a) *Annual Small Business Survey 2006/7*, Department for Business, Enterprise and Regulatory Reform, URN: 07/389AN, Table 58.
- BERR (2007b) *Business start-ups and closures: VAT registrations and de-registrations in 2006*, Department for Business, Enterprise and Regulatory Reform URN 07/111
- Blunt, A and Dowling, R (2006) *Home*, Routledge, London.
- Bridges, R (2007) Working from home leads to a legal mire, *Sunday Times*, 30 December, 10.
- Business Week (2005) The easiest commute of all, 12 December, 78
- Carter, S, Mason, C and Tagg, S (2006) *Lifting The Barriers to Growth in UK Small Businesses* (Federation of Small Business, London)
- Dwelly, T (2003) *Homes That Work*, Live/Work Network, www.liveworknet.com
- Dwelly, T et al (2006) *Under The Radar: Tracking and supporting rural home-based business*, LiveWork Network for the Commission for the Rural Communities.
- Enterprise Nation (2006) *Homeworking: Facts, Figures and Feedback*, Redbrick Enterprises, Shropshire.
- Enterprise Nation (2007) *Home Business Report*, Redbrick Enterprises, Shropshire (www.enterprisenation.com).
- Felstead, A, Jewson, N and Walters, S (2005) *Changing Places of Work*, Palgrave Macmillan, Basingstoke.
- Fitzgerald, M A and Winter, M (2001) The intrusiveness of home-based work on family life, *Journal of Family and Economic Issues*, 2001, 75-92.
- Green, H, Strange, A and Trache, H (2000) The homeworking revolution: considering the property dimension, *Regional Studies*, 34, 303-7.

- Hitech Marketing Services Pty (1998) *Research on Home-Based Businesses in the South East Region*, City of Casey, Victoria, Australia
- Holmes, S, Smith, S and Cane, G (1997) Gender issues in home-based business operation and training: an Australian overview, *Women in Management Review*, 12 (2), 68-73.
- Horsham District Council (2007) *Home based business: research and policy*, presentation to a Department of Trade and Industry seminar on Home-based Enterprises, London, 1 March 2007.
- Hudson, R (2005) *Economic geographies: circuits, flows and spaces*, London: Sage.
- Institute for the Future/Intuit (2007a) *Intuit Future of Small Business Report. First Instalment: Demographic Trends and Small Business*, The Intuit Future of Small Business Series, www.intuit.com/futureofsmallbusiness
- Institute for the Future/Intuit (2007b) *Intuit Future of Small Business Report. First Instalment: Technology Trends and Small Business*, The Intuit Future of Small Business Series, www.intuit.com/futureofsmallbusiness
- Institute for the Future/Intuit (2008) *Intuit Future of Small Business Report. Third Instalment: The New Artisan Economy*, The Intuit Future of Small Business Series, www.intuit.com/futureofsmallbusiness
- Jurik, N C (1998) Getting away and getting by: the experiences of self-employed homeworkers, *Work and Occupations*, 25 (1), 7-35.
- Lonier, T and Bamford, C H (2004) Leveraging external resources by urban entrepreneurs: Starbucks as the new entrepreneurial office, in W D Bygrave, C G Brush, Davidsson, P, Fiet, J, Greene, P G, Harrison, R T, Lerner, M, Meyer, G D, Sohl, J and Zacharakis, A (eds) *Frontiers of Entrepreneurship Research 2003*, Babson College: Babson Park: MA.

- Loscocco, K and Smith-Hunter, A (2004) Women home-based business owners: insights from comparative analyses, *Women in Management Review*, 19, 164-173.
- Mann, S and Houldsworth, L (2003) The psychological impact of teleworking: stress, emotions and health, *New Technology, Work and Employment*, 18 (3).
- Monin, N and Sayers, J (2005) Introduction, in J Sayers and N Monin (eds) *The Global Garage: Home-Based Businesses in New Zealand*, Thomson-Dunmore Press, Southbank: Victoria.
- Oakey, D (2007) Remote traders are at home with growing trend, *Financial Times*, 26/27 May, 3.
- Orange Future Enterprise Coalition (2006) *The Way to Work: Space, Place and Technology in 2016*, Orange plc.
- Orser, B and James, T (1992) *Home Based Business: The New Reality*, Department of Economic Development and Trade, Government of Canada, Ottawa.
- Pink, D H (2001) *Free Agent Nation*, Warner Business Books: New York
- Pratt, J H (2006) *The Impact of Location on Net Income: A Comparison of Homebased and Non-Homebased Sole Proprietors*, SBA Office of Advocacy, Washington DC.
- Rehman, L and Frisby, W (2000) Is self-employment liberating or marginalizing? The case of women consultants in the fitness and sport industry, *Journal of Sport Management*, 14 (1).
- Rigby, R (2008) Mobility puts paid to long commutes and the office slog, *Financial Times*, 5 February, 14.
- Ruiz, Y and Walling, A (2005) Home-based working using communication technologies, *Labour Market Trends*, October, 417-426.

- Schutjens, V and Stam, E (2003) Entrepreneurship, regional differences and locational trajectories in The Netherlands, in E Wever (ed.) *Recent Urban and Regional Developments in Poland and The Netherlands*, Utrecht: Netherlands Geographical Series 319, pp 51-66.
- Singh, R P and Lucas, L M (2005) Not just domestic engineers: an exploratory study of homemaker entrepreneurs, *Entrepreneurship Theory and Practice*, 29, 79-90.
- Step Ahead Research (2005) *Home Based Businesses in the South East of England*, for The Enterprise Centre, SEERA and SEEDA.
- Thompson, P, Brooksbank, D, Jones-Evans, D and Kwong, C (2007) Who are the home-based entrepreneurs? Evidence from the UK. paper to the 30th ISBE conference, Glasgow, 7-9 November 2007.
- Tietze, S (2002) When 'work' comes home: coping strategies of teleworkers and their families, *Journal of Business Ethics*, 41 (4), 385-396.
- Walker, E and Webster, B (2004) Gender issues in home-based businesses, *Women in Management Review*, 19, 404-412.
- Walker, B, Weigall, F and Horgan, M (2004) Home based business as a policy issue. Paper to the 17th annual SEEANZ conference, Brisbane, 26-29 September 2004.

Table 1. Number of hours spent working in the business in a typical week

	Home based businesses	Other businesses percentages	All businesses
Up to 30 hours	13.2	4.0	7.3
31-40 hours	16.3	11.2	13.0
41-50 hours	26.9	31.8	30.0
51-60 hours	23.0	29.5	27.2
Over 60 hours	20.6	23.7	22.6

(Statistically significant difference - elaborate)

Table 2. Reasons for starting a business from home

	Very important		Not important	
	number	%	number	%
To contain costs	3154	65.3	291	5.4
More convenient	2756	53.5	428	8.3
Nature of the business does not require commercial premises	2303	44.2	686	13.2
To avoid the need for commuting	1338	28.5	1313	27.9
To accommodate family needs	1364	27.5	1419	28.6
A low risk start – testing the waters	894	19.6	1671	36.7
To be flexible in the choice of where to live	686	15.8	2222	51.2
Business started as a hobby and grew	518	11.6	2788	62.7
The business included living premises (e.g. hotel)	446	10.5	3361	78.9
Temporary measure – business will to commercial premises when larger	456	10.2	2300	51.7
Worked at home in my previous job	386	9.1	2982	70.9
Lack of alternative commercial premises	302	7.1	2907	68.0

Notes: (i) respondents were given a one to five scale, one denoting not important and five denoting very important, (ii) businesses could give more than one response; (iii) number of responses varied per reason

Table 3. The geographical distribution of home-based businesses: regional analysis

	Home based businesses	Other businesses	VAT registrations in 2006*
	percentages		per 10,000 population
North East	29.1	70.9	22
North West	29.8	70.2	32
Yorkshire and The Humber	29.1	70.9	31
East Midlands	34.7	65.3	35
West Midlands	34.2	65.8	34
East of England	35.5	64.5	39
London	34.1	65.9	57
South East	40.8	59.2	43
South West	41.0	59.0	37
Wales	32.9	67.1	28
Scotland	36.7	63.3	28
Northern Ireland	17.5	82.5	33
United Kingdom	35.7	64.3	37

Source: BERR (2007b)

Table 4. The geographical distribution of home-based businesses in England and Wales: urban-rural analysis

	Home based businesses	Other businesses
Percentages		
Urban	32.1	67.9
Town and fringe	37.3	62.7
Village	53.7	46.3
Hamlet and isolated dwelling	53.8	46.2
England and Wales	36.1	63.9

Table 5. The geographical distribution of home-based businesses in Scotland: urban-rural analysis

	Home based businesses	Other businesses
Percentages		
Urban	27.0	73.0
<i>Large urban area</i>	26.7	73.3
<i>Other urban</i>	27.4	72.6
Small town	31.7	58.3
<i>Accessible small town</i>	33.9	62.1
<i>Remote small town</i>	22.2	77.8
<i>Very remote small town</i>	33.3	66.7
Rural area	52.2	47.8
<i>Accessible rural</i>	52.5	47.5
<i>Remote rural</i>	50.4	49.6
<i>Very remote rural</i>	52.6	47.4
Scotland	36.4	63.6

Table 6. Industrial distribution of home based businesses*

industry	Home based businesses		Other businesses		HBBs as a % of total
	number	%	Number	%	
Agriculture, forestry and fishing	297	5.2	276	2.6	48.2
Manufacturing	326	5.5	1587	15.0	17.1
Construction and building-related activities	937	16.5	1173	11.1	44.4
Sale, maintenance and repair of motor vehicles and fuel retailing	65	1.1	455	4.3	12.5
Wholesale trade	172	3.0	553	5.2	23.7
Retailing	396	7.0	2432	22.9	14.0
Transport and activities related to transport	311	5.5	435	4.1	41.7
Financial services	271	4.8	385	3.6	41.3
Computer and related activities	570	10.0	415	3.9	57.9
Business services	986	17.4	848	8.0	53.8
Health and social work	172	3.0	297	2.8	36.7
Personal services	237	4.2	281	2.7	45.8
Total	5,675		10,597		34.9

* excluding sectors with fewer than 2.5% of businesses (mining and quarrying; electricity, gas and water supply; post, courier and telecommunications services; real estate activities; renting of machinery, equipment, personal and household goods; research and development activities; education)

Table 7. Engagement in e-commerce

Source of sales	Home based businesses		Other SMEs	
	Any sales	Over 50% of turnover	Any sales	Over 50% of turnover
	percentages			
eBay	6.9	0.8	7.5	0.2
Own web site	38.6	6.3	38.8	2.4
On line portals	6.7	1.5	6.2	0.5
3 rd party web sites	19.0	1.5	16.1	0.7

Table 8. Annual turnover of home-based businesses

turnover	Home based businesses	Other SMEs
	percentages	
Less than £25,000	23.2	3.6
£26,000 - £50,000	25.0	8.4
£51,000 - £100,000	24.1	14.8
£101,000- £250,000	16.4	24.8
£251,000 - £500,000	7.1	20.0
Over £500,000	3.3	28.5

Statistically significant

Table 9. Employment in home based businesses*

Number of employees	Home based businesses	Other SMEs
	percentages	
0-1	26.8	8.1
2-4	49.9	24.0
5-9	14.6	26.3
10 and above	8.6	41.6

* includes owners and proprietors and both part-time and full-time employees

Table 10. Perceptions of the impact of legislation and regulations

	Not relevant		Very dissatisfied/ dissatisfied	
	HBBs	Other SMEs	HBBs	Other SMEs
	percentages			
Volume of legislation	19.1	8.8	52.5	68.6
Complexity of legislation	18.1	8.2	56.8	71.3
Rate of change of legislation	18.4	8.5	53.4	67.8
Interpretation of legislation	18.3	8.6	52.4	65.3
Inspection regime	23.3	10.9	30.4	40.2
Enforcement regime	22.6	10.8	32.5	42.3
Cost of compliance with legislation	19.6	8.7	51.0	68.3

Figure 1. Home-based businesses as a proportion of all businesses (source: based on survey of members of the Federation of Small Business)

