

Home-based businesses in Rural England

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Presented at the ESRC seminar series workshop “Home Based Businesses in their Local Settings” Middlesex University, September 2014.

<http://www.mdx.ac.uk/events/2014/09/ESRC-seminar-series-home-based-businesses-in-their-local-settings>

Abstract

Home-based businesses (HBBs) play an important role in rural settlements where the scale of economic activity is lower and their social function can often be more significant. However, as small enterprises operating from a residential address, they are often overlooked by policy-makers resulting in their potential contribution to rural development being under-valued (Dwelly *et al.*, 2005). Where HBBs are embedded in a rural locality, it is hypothesised that they can contribute to neo-endogenous development (Ray, 2006) based around local resources and local people. Therefore the first component of this paper reviews different research, theories, experiences and policy approaches to enable the identification of factors that are more pertinent to this group of enterprises.

Secondly, this paper reports on Census data for England as a preliminary component of a larger project where a combination of a survey, interviews and visual methods will be employed to deepen our understanding of this diverse section of the rural economy. The England and Wales Census allows us to identify people whose main place of work is the home and there are separate categories to identify those that are self-employed allowing home-working and the operation of a home-based business to be distinguished.

The aims of this analysis are to identify the scale of home-working and HBBs in the more rural districts of England¹. Additional details about the age and sex of these people will be analysed to construct a detailed picture of this population. Overlaying these data with other demographic and socio-economic information will enable further insights that can guide increasingly locally-focused approaches to rural development policy as well as inform the design of subsequent close-up research.

Keywords: Rural Economy, Home-based Business; Neo-endogenous development;

¹ Based on Defra's 2009 typology: <http://www.ons.gov.uk/ons/guide-method/geography/products/area-classifications/rural-urban-definition-and-la/rural-urban-local-authority--la--classification--england-/index.html>

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Introduction

HBBs have been 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” (Mason *et al.*, 2011, p629). This wide definition includes sectors traditionally thought of as home-based, such as agriculture, craft industries and tourist accommodation, as well unexpected areas, such as energy, water and defence (Carter *et al.*, 2004). It also covers businesses conducted in the home and others where the home acts purely as an “administrative base” (Mason *et al.*, 2011, p629).

Views are polarised with some dismissing HBBs as marginal lifestyle or hobby businesses, while others champion the economic, social and environmental benefits linked to local development, job creation and community vitality (Mason *et al.*, 2011). In some research HBBs have been perceived as incubators for new, young businesses (Dwelly *et al.*, 2005; Carter *et al.*, 2004) but for many the home is seen as a permanent business location with only 3% stating any intention to move out of the home as a result of future growth (Carter *et al.*, 2006). In light of global economic dynamics and the increasing outsourcing on an international scale, the potential for home-based businesses to be supplying knowledge services anywhere in the world (Friedman, 2006) adds a further dimension to these earlier interpretations of the HBB sector.

Previously, a broad typology was developed to recognise that HBBs could have different relationships with the home as for some the ‘Home is the business’, for others ‘Home is a convenient location’ and for some ‘Home is not the place of work’ (Newbery and Bosworth, 2010). With a range of conceptualisations, the one thing that researchers do agree on appears to be that HBBs are “under the radar” (Dwelly *et al.*, 2005) or invisible (Mason *et al.*, 2011) from a policy perspective thus more needs to be understood about the individuals running them and their entrepreneurial orientations. However, before we can develop a qualitative study, a baseline understanding is needed so the aims for this paper are:

- 1) To present a literature review to understand what is unique about rural HBBs, with particular regard to the challenges that they encounter and the growth potential that may be untapped.
- 2) To analyse the 2011 Census of England and Wales to identify the scale and distribution of home-working and HBBs across England.

Background

Studies consistently report that well over half of all small businesses in advanced economies are home-based, with the proportion being even higher in some rural areas. In reporting this, Mason (2010 p104) suggests that “the home can therefore be seen as the most significant location for entrepreneurial activity”. In 2008, there were 2.8 million businesses operating full time from home in the UK, contributing some £284 billion to the economy (Enterprise Nation, 2009). Census data from 2001 shows that some 11.2% of working residents in rural districts across England worked mainly from home compared to a national average of 9.2% (Champion *et al.*, 2009). In the US, it is estimated that 52% of all small businesses are home-

based (Nazar, 2013), with commercial websites estimating that a new home-based business is started every 12 seconds and that the sector as a whole generates some \$427bn per year (Nuyten, 2012).

The benefits of homeworking more broadly have been found to include lower carbon emissions, reduced costs for employers, increased productivity and increased spending in local communities (ABN, 2009). It has also been argued that home-working enables more people to enter the labour market (Ruiz and Walling, 2005) and evidence from the UK indicates that a number of older people are turning to self-employment, either to supplement pension incomes, maintain social activity or due to difficulties in securing alternative employment following redundancy (*Financial Times*, 2012). For some, the flexibility also enables them to work around personal ill-health or family commitments. The *Financial Times* (27/11/2012) reported self-employment rates rising from c12% in 2000 to over 14% in 2012 with the most significant growth in the 50-64 and 65+ age categories between 2008 and 2012.

In the contemporary rural economy, which now comprises a mosaic of activities that mirror quite closely those found in urban areas (Commission for Rural Communities, 2008), HBBs are a significant component of a diverse micro-enterprise base. A shift away from a rural economy dominated by productivism has created a “countryside of consumption” (Slee, 2004) where demand from new residents and visitors in rural areas, as well as from those seeking to buy products with a rural provenance, has created new opportunities for rural businesses. Progress in communications technology and greater mobility has also enabled rural businesses in more accessible areas to benefit from growth, particularly in the professional services and creative industries sectors. This has been fuelled by the relocation of rural entrepreneurs who fit into the creative class category (Florida, 2002), being highly skilled, well-connected into city networks and simultaneously searching for the ‘rural idyll’ (Herslund, 2011, p247).

Although not all rural microbusinesses are growth-oriented, research has shown that even in remote rural regions, self-employment and the associated entrepreneurial capacity are still positively linked to growth (Stephens and Partridge, 2011). Research has also shown that rural economies are more dependent than their urban counterparts on SME sectors (Galloway and Mochrie, 2006) and rural businesses are considered to be important for sustaining local communities due to their greater social embeddedness (Lowe and Talbot, 2000; Bosworth 2012). Where HBBs are embedded in a rural locality, they can contribute to neo-endogenous development (Ray, 2006) as, collectively, they maintain diverse local and extra-local networks (Young, 2010). Therefore, a clearer understanding of their origins and networking activities as well as straightforward economic measures can shed significant light on both social and economic development potential in rural economies.

Methodology

A systematic literature review was carried out to include all journal papers available through the Web of Science, Scopus and CABI Abstracts (tourism) databases since 2009 that refer to “home based businesses”, “rural entrepreneurship” or “rural microbusiness”. The final list excluded practical guides on “how to start a home-based business” and papers relating solely to developing world countries since the focus concerns research in advanced economies. The cut-off year was chosen as this was the submission date of the authors’ earlier work in this

field and the review was designed to pick up subsequent developments in this field of research to augment the previous evidence base. These were supplemented by additional papers from this period identified through citations within the initial sample, notably a special issue of the Australasian *Small Enterprise Research Journal* on home-based businesses.

For the second part of the paper, 2011 Census data for England was downloaded and copied into SPSS to allow statistical analysis. The census questionnaire included the question: “In your main job, what is the address of your workplace?” with the follow up question: “If you work at or from home, on an offshore installation, or have no fixed workplace, tick one of the boxes below”. Those ticking the box relating to “working from home” were identifiable as home-workers and this category could then be broken down further according to questions relating to self-employment and again at a third level to analyse the sectors that HBBs were operating in and the professional status of home-based workers.

Additional data on the economic and demographic characteristics of districts are sourced from other sources including the Competitiveness Index (Huggins and Thompson, 2013), the Office for National Statistics and the Department for Communities and Local Government (2014). These, along with other Census data on education levels, sex, age, occupation type and sectors of employment all allow additional correlations to investigate characteristics that are typical of districts with higher proportions of HBBs.

Literature Review

Research in this field can be divided into five themes: (i) The scale and contribution of HBBs and microenterprise to rural economies, with a rich subset of research into rural tourist economies; (ii) the intensity and entrepreneurial motivations of HBBs and their owners; (iii) issues of age, gender and family; (iv) growth barriers and support needs associated with HBBs and rural microbusinesses; and (v) the spatial distribution of HBBs and location choice factors. Under each of these headings, we draw upon the latest literature and Census information to provide an overview of the current situation in England. The gaps that remain then inform the requirements for new research to get closer to rural HBBs and provide deeper understandings.

(i) Scale and contribution

Table 1 shows that at the district level the mean percentage of the economically active population engaged in homeworking increases as the degree of rurality increases, reaching 1 in 10 of workers in the most rural districts. Of those that were working from home, it is further assumed that those defined as “self-employed” are therefore operating home-based businesses. The top half of the table indicates that again, there is greater propensity for HBBs among rural populations. The percentages may appear low, but this translates to anything between 1,500 and 20,000 people in some districts that are self-employed and working from home. In Northumberland, for example, the Census indicates that there are some 10,000 full or part-time HBBs based on this definition which corresponds to our earlier research where we estimated that over 7,700 people were employed full-time in home-based microbusinesses in the rural areas of the North East at the turn of the millennium (Newbery and Bosworth, 2010).

Table 1. The proportion of home-workers and home-based businesses in urban and rural districts

| | | Number of districts | Mean % | ANOVA Comparison of Means |
|--|---------------------|---------------------|---------|---------------------------|
| Home-based businesses as % of the Economically Active Population | Major Urban | 70 | 3.3028 | 0.000 |
| | Large Urban | 39 | 3.1952 | |
| | Other Urban | 58 | 3.2787 | |
| | Significantly rural | 55 | 4.2619 | |
| | Rural50 | 48 | 5.0421 | |
| | Rural80 | 54 | 6.0198 | |
| | Total | 324 | 4.1589 | |
| Homeworkers as % of the Economically Active Population | Major Urban | 70 | 5.9131 | 0.000 |
| | Large Urban | 39 | 5.8906 | |
| | Other Urban | 58 | 6.0676 | |
| | Significantly rural | 55 | 7.7297 | |
| | Rural50 | 48 | 8.8915 | |
| | Rural80 | 54 | 10.1498 | |
| | Total | 324 | 7.3938 | |

While the total numbers of businesses make this a significant sector of the economy, the contribution of HBBs in terms of economic output and jobs is less persuasive. For example, in the North East of England, Phillipson *et al.* report that “on average, home based businesses have fewer employees than other rural firms, and are less willing to take on staff, but they display higher profits and levels of broadband use” (2011, p18). HBBs in this region were also found to be less growth oriented than other rural businesses and less likely to engage in business networks, employ local professional consultants or take up business training opportunities (Newbery and Bosworth, 2010).

As Redmond and Walker (2010, p162) suggested, “Just because there are a large number of home-based businesses, it does not mean that individually they are all developing a successful business that contributes to the community”. Based on their Australian research, they suggest that where the home-based business is not able to provide even the minimum wage equivalence to the owner-manager, as is often the cases, then it is inappropriate to direct small business funding towards them (Redmond and Walker, 2010). This chimes with findings from Overman (2012), which indicate that investment in marginally viable enterprises are detrimental to productivity gains and can simply perpetuate an undesirable situation.

By contrast, earlier studies have focused on the array of other contributions that HBBs can make. For example, Walker and Brown (2004) question the logic of applying economic measures when job creation may never have been an aim and non-financial measures of success - including autonomy, job satisfaction and balancing work with family responsibilities - may better reflect the aspirations of small business owners. In US enterprise programmes these success measures extend to include “household well-being, self-esteem, family stability, better employability, greater community activism and increased networks” (Oughton *et al.*, 2003, p332). As these non-financial measures are "subjective and personally defined" (Walker and Brown, 2004, p579) they are more difficult to quantify but, with personal success and business success strongly entwined, it remains important to recognise the major contribution of HBBs in relation to overall economic and societal well-being (*ibid*, p588).

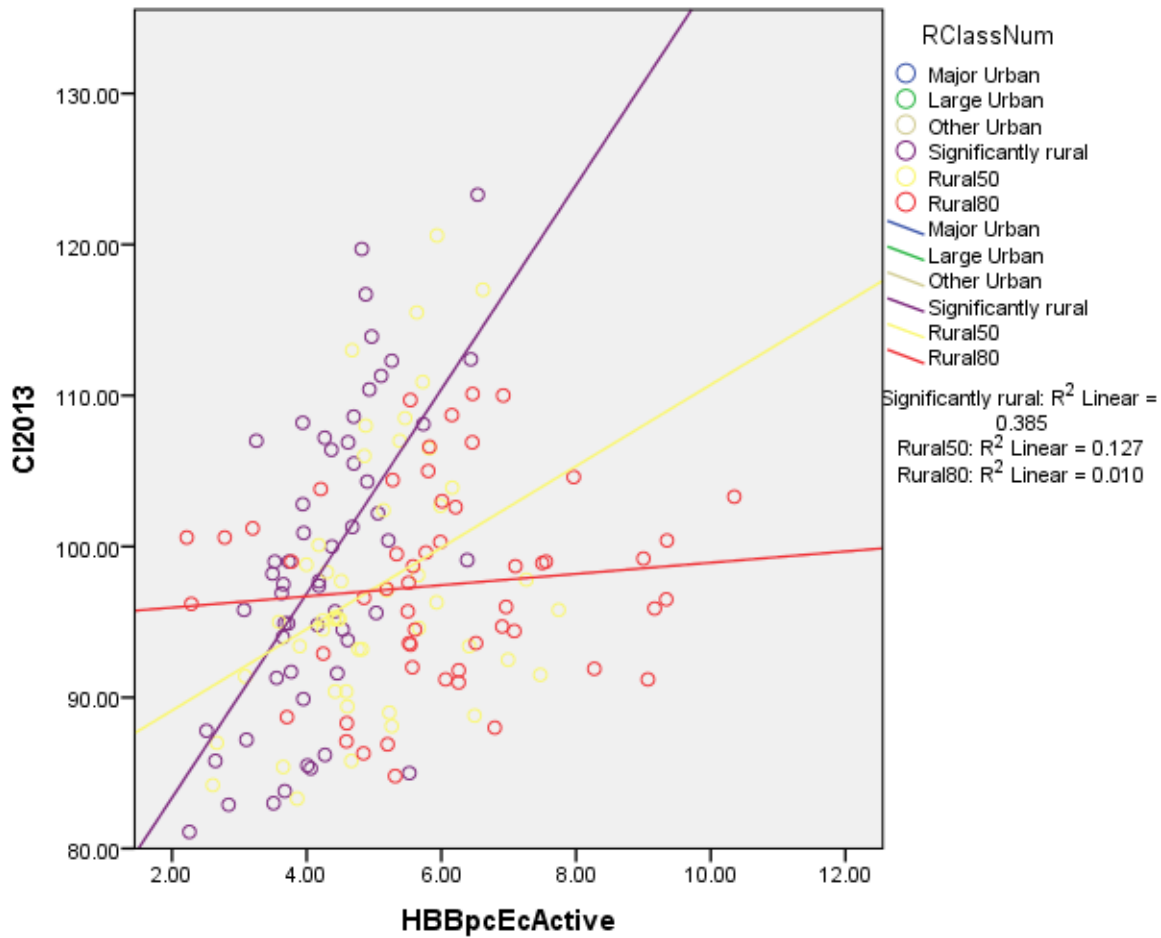
This range of success measures aligns with other research indicating that HBBs are often part of a livelihood ‘jigsaw’ (Oughton *et al.*, 2003, p333) enabling their owners to draw on a range of resources to generate a number of contributions to household income. In this sense, it is possible that the HBB can support another enterprise, as with farm diversification activities (Bosworth and McElwee, 2010), or it could be detrimental in competing for time and resources against more profitable activities. In their UK and Norway study, Oughton *et al.* (2003) found that microbusinesses that were combined with other activities made a more positive contribution to household livelihoods whilst those set up due to a lack of alternatives, struggled due their constrained situation and weak resource base. Therefore, in terms of overall contribution, the household level should be considered and the benefits for the individuals operating HBBs appear to be significant indicators of success.

This is confirmed in a more recent line of research from the Netherlands into "side activities", which are defined by Markantoni *et al.* as "small-scale home-based activities that provided a supplementary household income" (2013, p2). They are seen to offer a low-risk, low resource opportunity to initiate compared to "main" activities, allowing side activity entrepreneurs to combine lifestyle and economic motivations in their activities (Markantoni *et al.*, 2014). Almost by definition their direct economic impact is small with over 90% having incomes below 15,000 Euros and just a handful employing seasonal staff (Markantoni *et al.*, 2013). However, the indirect effects were more contested with some full-time businesses viewing the lack of registration and regulation leading to unfair competition while others recognised their positive contributions through collaboration and promotion of the area in a touristic sense.

While HBBs are a particular feature of the rural tourism economy, “there is a dearth of research focusing on home-based businesses and the domestic context of self-employment in commercial hospitality” (Di Domenico, 2008, p313). Many side activities were connected to the tourist economy, either through the provision of accommodation, hospitality and other services to tourists or through the making and selling of arts and crafts or other local products. Here it was noted that these side activities actually attracted a different segment of the tourist market, offering something more authentic and providing an additional dimension to the offering of a rural region (Markantoni *et al.*, 2013). This supports findings by Albaladejo-Pina *et al.* (2009) who recognised that changing consumer preferences are making rural houses (agriturismos) an important feature in the social and economic development of rural destinations. In their Spanish research, however, difficulties in terms of promotion and adapting to new market mechanisms were recognised as particular challenges for the sector.

Clark and Douglas (2012) highlight that HBB owners apply a range of marketing strategies in an attempt to grow their businesses. A lot of activity is heavily self-led requiring high levels of personal commitment to the business as well as connectedness to relevant social networks. This may explain why, although some of the most rural areas see high proportions of HBBs, there is a stronger correlation between the rate of HBBs and competitiveness in the less rural districts. As Figure 1 illustrates, the propensity for HBB activity is higher in areas that score higher on the Competitiveness Index (Huggins and Thompson, 2013) but as we move to more remote rural districts this relationship weakens. This may suggest that the home-based enterprises in the “significantly rural” areas are immersed in urban networks and markets and the more competitive locations stimulate HBB activity. By contrast, all remote rural areas, regardless of their economic performance, see HBB formation as a result of their peripherality and reduced opportunities for other economic activity.

Figure 1. Competitiveness Index and the proportion of HBBs



(ii) Intensity and entrepreneurial motivations of HBB owners

Thompson *et al.* (2009) note that many HBBs are established to supplement low income levels but where these are not the sole source of household income, home-based entrepreneurs can find themselves working relatively few hours in the business. In the case of female-run HBBs, the trade-off with other family commitments, including childcare (Williams 2004), creates a further constraint (Thompson *et al.*, 2009). Indeed, Wynarczyk and Graham (2013) considered the prime motivations for setting up a HBB to be associated with ‘flexibility’ and ‘work-life balance’, particularly amongst those with caring responsibilities. Economist may look for rationality in terms of profit seeking motives but, as Ekinsmyth observes among ‘mumpreneurs’, the desire to achieve “work-life harmony” (2011, p109) seems perfectly rational too.

For farm households, diversification into other activities than can be run from the home (which may be registered separately or be seen as part of one enterprise) may be a response to market opportunities or to falling incomes and a perception of greater vulnerability to changes outside of their control (Tate, 2010). It has been argued that new rural entrepreneurs are more likely to be influenced by push factors, such as the inability to find suitable employment or undesirable working conditions in a given location (Bessner and Miller, 2013; Jack and Anderson, 2002), but where necessity and opportunity coalesce in this way, analysis of motivations becomes increasingly complex.

Using Global Entrepreneurship Monitor (GEM) data from 10 countries, Acs (2006) found that such “necessity-driven” entrepreneurship contributed less than “opportunity-driven” entrepreneurship in terms of economic development, going as far as to suggest that being pushed into entrepreneurship could actually lead to under-development. Conversely, with a focus on just rural areas, Besser and Miller’s research found that “push” motivations were strongly related to perceived success (2013, p24), perhaps due to lower expectations or perhaps due to the necessity for sustaining personal incomes. Based on a study of HBBs in Sheffield, Vorley and Rodgers (2012) challenge this opportunity-pull or necessity-push binary, citing Jayawarna et al (2011) in suggesting that a combination of career-related, household-related and business-related factors meld together to create individual behaviours and outcomes. Similarly, Markantoni *et al.* (2014) describe a continuum where “side activity entrepreneurs” are positioned somewhere between lifestyle and profit-driven ends of the scale.

It can be argued that many one-person firms are effectively selling their labour in exchange for some remuneration comparable to a wage, albeit with greater risk attached and under different legal conditions (Piotr and Rekowski, 2009). These make a limited contribution to economic growth when compared to those employing other workers who are described as “real entrepreneurs” (Piotr and Rekowski, 2009). We might expect many of these types of businesses to be home-based given the barriers to recruitment for HBBs. However, the variability among HBBs (and research findings) is evident from stated growth ambitions within the sector. A New Zealand study found that over 90% of HBBs were seeking growth in the next two years (Clark and Douglas, 2010), considerably more positive than our earlier study where 29% were seeking growth (Newbery and Bosworth, 2010). Measuring growth in this sector will always be challenging, partly due to the unregistered nature of many smaller HBBs and partly because those that do experience significant growth may well outgrow the HBB classification. Furthermore, it is important to recognize that for HBBs, “growth is often achieved by expanding their markets and clients to enable higher turnover and profit” while taking on employees is often either not desired or is constrained by inadequate premises or increased administrative burdens (Phillipson *et al.*, 2011, p18).

Table 2: The proportion of HBBs who consider their activity to be “part-time”. (One-way ANOVA significance level = 0.004)

| Rural/Urban Classification | N | Mean |
|-----------------------------------|----------|-------------|
| Major Urban | 70 | 39.4932 |
| Large Urban | 39 | 38.7474 |
| Other Urban | 58 | 38.2556 |
| Significantly rural | 55 | 38.3945 |
| Rural50 | 48 | 38.1212 |
| Rural80 | 54 | 36.8357 |
| Total | 324 | 38.3492 |

One measure of the intensity of HBBs is whether their self-employed operator considers themselves to be working full- or part-time in the business. From the new census data analysis, we identified that between 25 and 50% of all self-employed homeworkers were working part-time. This was slightly less prevalent in the most rural districts where, on average, 36.8% of self-employed homeworkers considered their activity to be “part-time”, as illustrated in Table 2. Although the differences are small, with more HBBs in rural areas the indication that more of them are operating on a full-time basis adds further weight to their importance in the rural economy.

(iii) Age, gender and family

Running a HBB can offer opportunities for trialling a new idea and getting a first step on the entrepreneurial ladder. This was found to be particularly true for women but in many cases, it was those with limited alternatives that pursued this option leading to concerns that without proper support, starting such a business could have a detrimental impact of female self-employment (Thompson *et al.*, 2009). By contrast, in Markantoni and van Hoven’s (2012) study, over half of “side activities” were initiated by women, and this was seen as a means of empowering them to step out of the shadows of the traditional male bread-winner. Life transitions, especially parenthood (Berke, 2003), were seen as key influences in decisions to start side activities with the result that other family members were often involved. The smaller scale, as secondary income providers, appears to provide greater resilience and the wider family and social benefits, such as providing a "social and emotional glue" (Markantoni and van Hoven 2012, p.507) keeping the household connected to their rural region was seen to be particularly important for declining rural areas. It could also be argued that the involvement of children contributes to both their family-centred well-being and their exposure to business life from an early age (Bosworth, 2012).

Running a business from home does not necessarily lead to the kind of flexibility that they had hoped since it had increased their actual working hours, and blurred a distinction between work and home (Wynarczyk and Graham, 2013). This is especially true where “the home is the business”, to use our earlier typology (Newbery and Bosworth, 2010) as evidenced in the rural tourism sector where HBB operators exercise choice and control in their chosen occupation, but still must negotiate the demands of routine domestic labour and the provision of paid service to others (Di Domenico, 2008). The importance of the home setting and the host involvement in the product construction, can exacerbate these challenges, especially if the operator is also seeking to combine lifestyle with commercial aspirations (Lynch, 2005).

Despite some studies emphasising the role of women in the HBB sector, Census data for England in Table 3 shows that more are run by males than females with similar proportional differences across urban and rural space. However, more work is required to see how these divide up between types of HBB and also to understand the household composition and involvement in these businesses.

Table 3. The proportion of Males and Females running HBBs

| Urban-Rural Category | Number of districts | Mean % of working age population who are working from home and self-employed |
|----------------------|---------------------|--|
| Major Urban | 70 | 3.30% (Male = 2.05% Female = 1.25%) |
| Large Urban | 39 | 3.20% (M: 2.06%; F: 1.14%) |
| Other Urban | 58 | 3.28% (M: 2.09%; F: 1.19%) |
| Significantly Rural | 55 | 4.26% (M: 2.66%; F: 1.60%) |
| Rural 50 | 48 | 5.04% (M: 3.14%; F: 1.90%) |
| Rural 80 | 54 | 6.02% (M: 3.71%; F: 2.31%) |

Breaking down these figures by age in Table 4 confirms earlier suspicions that a high proportion of rural HBBs are started by older residents. Indeed, across each of the three categories of rural district, over half of all HBBs are run people over 50 years of age.

Table 4. The proportion of HBB owners that are aged over 50 and 65 (in each case the one-way Anova significance value is 0.000)

| Urban-Rural Category | Number of districts | Mean age 50+ | Mean age 65+ |
|----------------------|---------------------|--------------|--------------|
| Major Urban | 70 | 41.1817 | 8.3594 |
| Large Urban | 39 | 45.4896 | 9.0581 |
| Other Urban | 58 | 45.7417 | 8.8941 |
| Significantly Rural | 55 | 50.7549 | 11.8042 |
| Rural50 | 48 | 54.2393 | 13.5858 |
| Rural80 | 54 | 56.3480 | 14.9010 |
| Total | 324 | 48.6038 | 10.9885 |

(iv) Growth barriers

Home-based self-employment has been associated with weak bargaining power in relation to payments and deadlines and vulnerability associated with low customer numbers (Thompson *et al.*, 2009), a situation exacerbated in sectors dominated by larger enterprises (Hassler, 2005). For those in rural areas, the rural penalty (Malecki, 2003), which includes a general lack of service provision, including broadband, and a lack of government investment in infrastructure (Besser and Miller, 2013) further impede the potential of home-based businesses. Risselada *et al.* (2013) hypothesised that the availability of real estate plays a constraining role in firm relocation decisions based on evidence from the Netherlands indicating that lack of floor space was a constraint for firm relocation and that the availability of units was scarce at the time of their research. With more limited choice of commercial buildings in rural areas, one might argue that this too forms part of the rural penalty for HBBs.

For businesses, low density not only reduces the size of local markets but also reduces the viability of business networks (Besser and Miller, 2013), although not the satisfaction

amongst members where they do operate (Newbery *et al.*, 2013), making the social environment more important to the success of rural entrepreneurs (Besser and Miller, 2013) Indeed, it has been argued that the economic activities of microbusinesses are embedded with the wider social and economic relations of the household (Baines *et al.* 2002 cited in Oughton *et al.*, 2003), highlighting the importance of local community characteristics for business performance.

Rural firms have less choice and less access to good-quality business advice compared with firms in urban areas and this would appear to be linked to the fact that more rural than urban businesses obtain business advice from friends, family or informal sources (Martin *et al.*, 2013). This has led Abdy *et al.* (2007) to call for better coordination among the fragmented advice and training services that do reach into rural areas. The heterogeneity and “localness” of rural small firms were also seen to create additional challenges for the delivery of business support with different solutions required “to take into account specific infrastructural requirements and other perceived needs” (Martin *et al.*, 2013, p101).

Phillipson *et al.* (2011, p18) sum up the implications of a number of these growth barriers, with many rural micro-businesses expressing a need for “better access to grant and funding schemes, improved IT, and opportunities to work in collaboration with other firms”. They also reiterate the problem that HBBs are often hard to locate creating a need to encourage greater engagement with business associations, mentoring networks, and training and other support providers. While localness can present challenges for tailored business support, such engagement can build on the local networks that enable rural entrepreneurs to become more embedded into their local environments as have been found to have positive effects for business performance, enabling faster successes than expected (Akgün *et al.*, 2010).

Looking ahead, the spread of broadband into rural areas will increase opportunities for small and home-based enterprises but this will also create new challenges as the nature of the digital economy is increasingly dynamic. Even for businesses that are not “technology-based”, research has shown that “connectivity technology has enabled operating a business from home setting to become practically possible, economically viable and commercially acceptable” (Wynarczyk and Graham, 2013, p465). However, we argue that this needs to be complemented by social networks and higher levels of knowledge and skills for rural HBBs to sustain a competitive position.

(v) The spatial distribution of HBBs and location choice factors

In section (i) above we set out some figures relating to the urban-rural classification. The maps in Figure 2 showing the distribution of HBBs across England’s districts and the urban-rural classification emphasise the higher proportions that are found in rural areas. The map for HBBs illustrates the higher proportions of HBB activity in touristic areas with parts of North Yorkshire, the Lake District and Devon as well as the Cotswold district all appearing in the highest quintile. The anomaly of Crawley district, just to the south of London, may require further investigation.

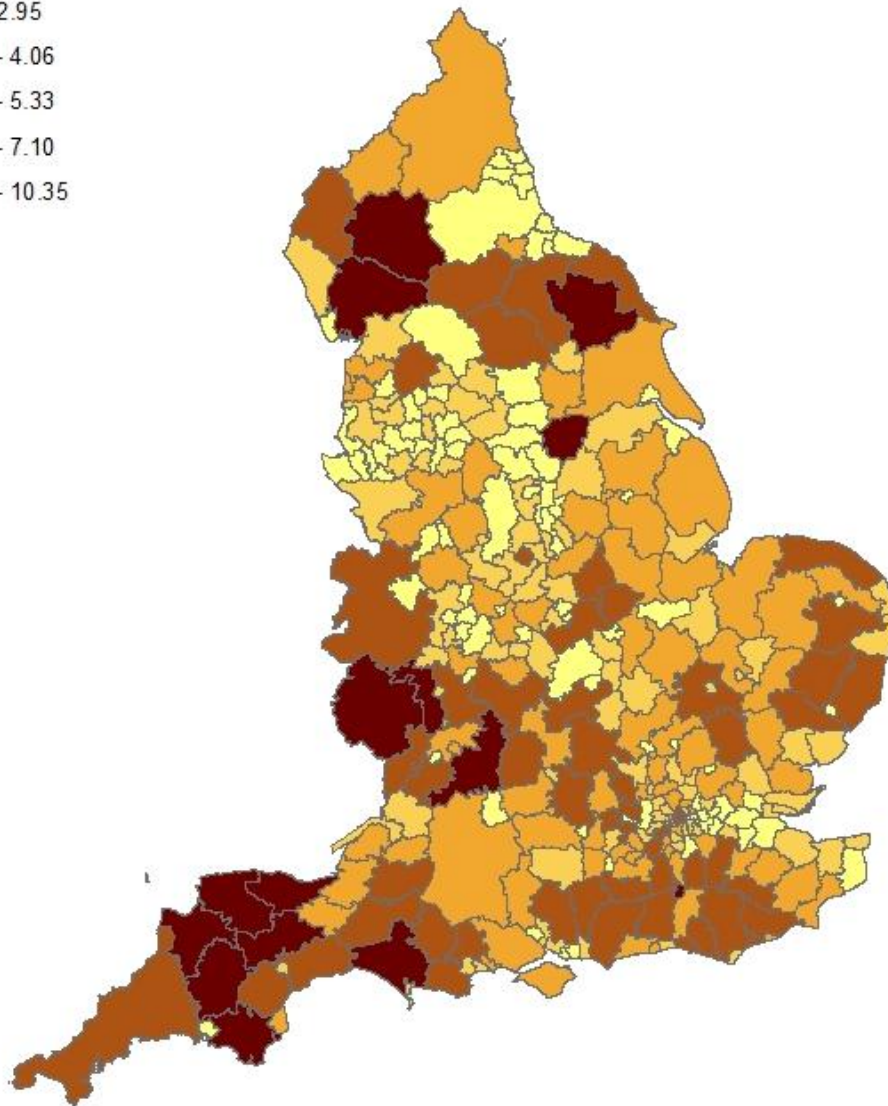
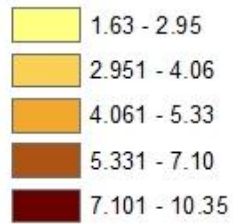
Figure 2. (i) The distribution of HBBs in England and (ii) the rural urban classification of England

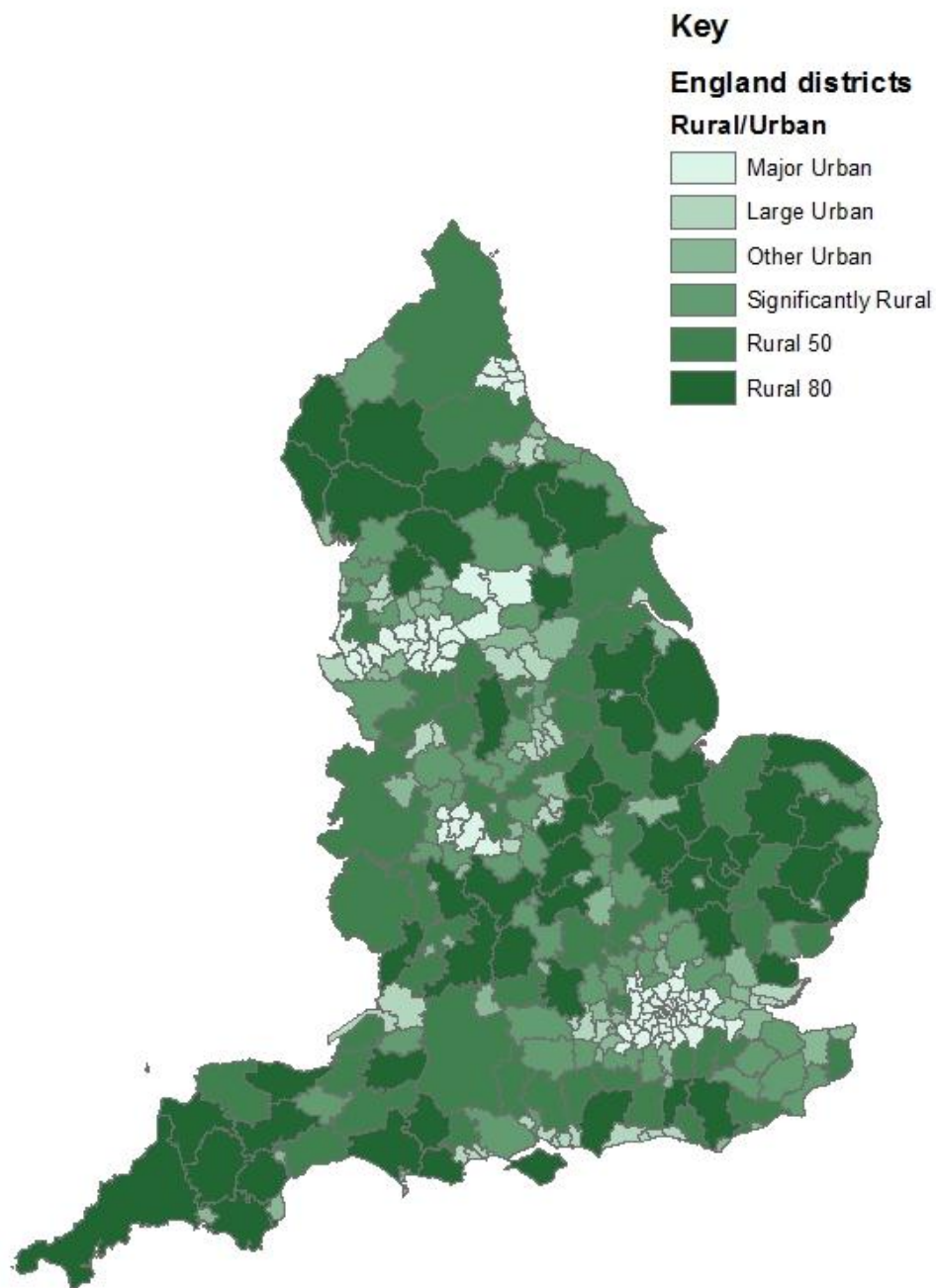
(This work is based on data provided through EDINA UK BORDERS with support of the ESRC and JISC and uses boundary material which is copyright of the Crown. Crown Copyright 2007. An Ordnance Survey/EDINA supplied service)

Key

England districts

HBB as % of working age population (2011)





When analysing home-based entrepreneurs, it is very difficult to separate business and home-related locational choices and HBB relocation is not yet fully understood (Risselada *et al.*, 2013, p152). Individual preferences for the look and feel of a property can have a particularly important influence in cultural industries (Drake, 2003 and Ley, 2003 – both cited in Risselada *et al.*, 2013). Indeed, many entrepreneurs have limited knowledge concerning the optimal business location so rely on trusted information channels that are likely to reflect social and previous working relationships, thus reinforcing the overlap of social and economic factors in decision-making (Risselada *et al.*, 2013).

Adding to this complexity, many rural businesses are started by people with urban backgrounds who have moved to rural areas or returned to their roots (Võsu and Kannike, 2011) and these groups have been found to play a significant role in creating new jobs and adding to the diversity of rural economies (Bosworth 2010; Stockdale, 2006). In forming new networks of communication and entrepreneurship, such entrepreneurial in-migrants introduce urban lifestyle values and contribute to the process of rural gentrification, interpreting the local environment and culture in ways related to their personal values (Võsu and Kannike, 2011). This “counterurbanisation-led” diversification (Murdoch *et al.*, 2003, cited in Herslund, 2011), or “commercial counterurbanisation” (Bosworth 2010) has also seen a large proportion of rural entrepreneurs moving into an area with no intention of starting a business (Herslund, 2011), indicating that start-up decisions for rural HBBs are influenced by a combination of local and extra-local factors, over a two stage process that can take some years to come to fruition (Bosworth, 2010).

Challenging earlier literature that presented self-employed people as being less likely to move residence compared to employees, Reuschke and van Ham (2013) analysed German and UK data to show little evidence of this ‘residential-rootedness’ hypothesis of self-employment. In particular they identified that entry into self-employment, especially amongst females, was associated with internal migration (Reuschke and van Ham, 2013, p1233). However, they also called for more nuanced investigation into variations between genders and between business sectors to truly understand the (im)mobility of different groups within the rural self-employed category. This is reinforced by other findings that have found different patterns in HBB mobility. For example, in urban areas, home-based firms have an overall higher propensity to relocate than firms located in commercial properties (Risselada *et al.*, 2013) but among HBBs, small firms were less likely to relocate than larger ones. Similarly, those in larger dwellings were also less likely to relocate, perhaps confirming that a ceiling exists (Newbery and Bosworth, 2010) beyond which the leap to becoming a non-HBB can represent too great a risk.

Risselada *et al.* call for more flexibility in land-use planning to recognise the important overlap between economic and residential functions because of the value that locally embedded businesses can provide to enhance “neighbourhood liveability” (2013, p155) and create more viable business environments for others in the locality. The need for flexibility in the contemporary rural economy is especially true as local communities have access to wider choices and lead more mobile lives. Both flexibility and creativity are essential for rural HBBs to maintain a competitive advantage, as evidenced by Võsu and Kannike’s (2011) study of restaurateurs who can take advantage of changing tastes among rural consumers, including urban visitors, by adapting their product accordingly.

At the micro-level, space is also important in the practice of HBBs. Ekinsmyth (2011) notes that there are two sets of unconventional economic spaces: the work locations which include “the kitchens, bedrooms and garages of the entrepreneurs’ family homes” and “the typical spaces of networking and marketing which often take place either highly locally, in neighbourhoods and community spaces, or conversely, aspatially, in cyberspace” (Ekinsmyth, 2011, p107). While this has implications for families and their internal dynamics, it will also influence the choice of housing and the types of homes that lend themselves to HBBs.

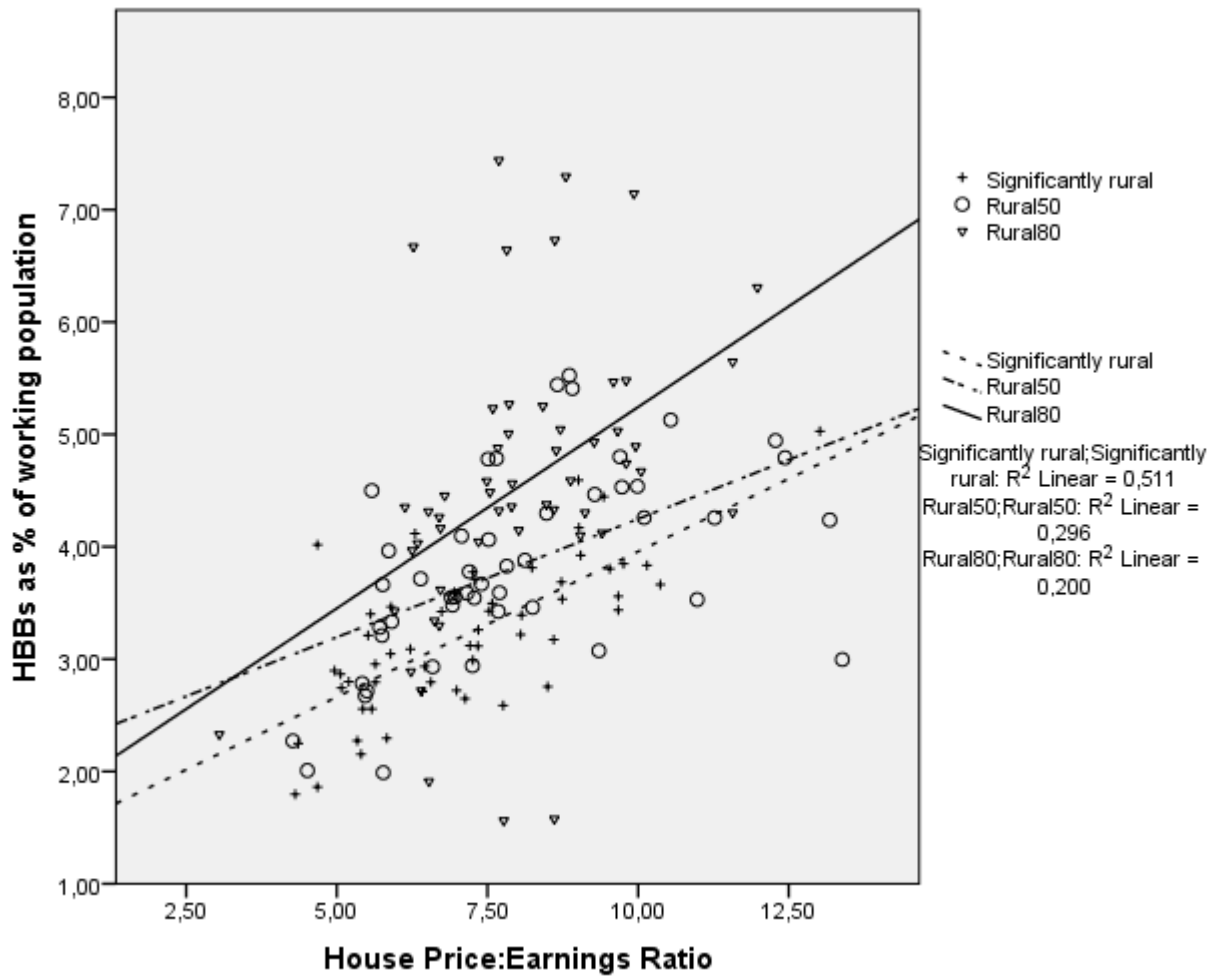
Combining evidence from the Census with data from the Department for Communities and Local Government (DCLG, 2014), we see that HBBs are more common in more rural districts where housing affordability ratios are highest. In other words, as house prices become less

affordable in relation to earnings, we see a higher propensity for home-based activity. We could hypothesise that this is because homeowners have to maximise the income potential from their homes in order to stay in these areas with inflated housing markets but equally, it could indicate that HBBs are providing lower incomes and thus making housing relatively less affordable. Clearly, more detailed research at more local geographical scales and incorporating qualitative insights into the motivations for operating HBBs is required to test this. Table 5 illustrates the general association between housing affordability and degree of rurality while Figure 3 shows a scatter plot for the significantly rural, rural-50 and rural-80 districts highlighting that within each rural category, there is a again correlation between low housing affordability and higher proportions of HBBs.

Table 5. The ratio of house prices to earnings (e.g. average house prices are 8 times greater than average earnings in major urban districts – although this particular category is heavily skewed by central London house prices).

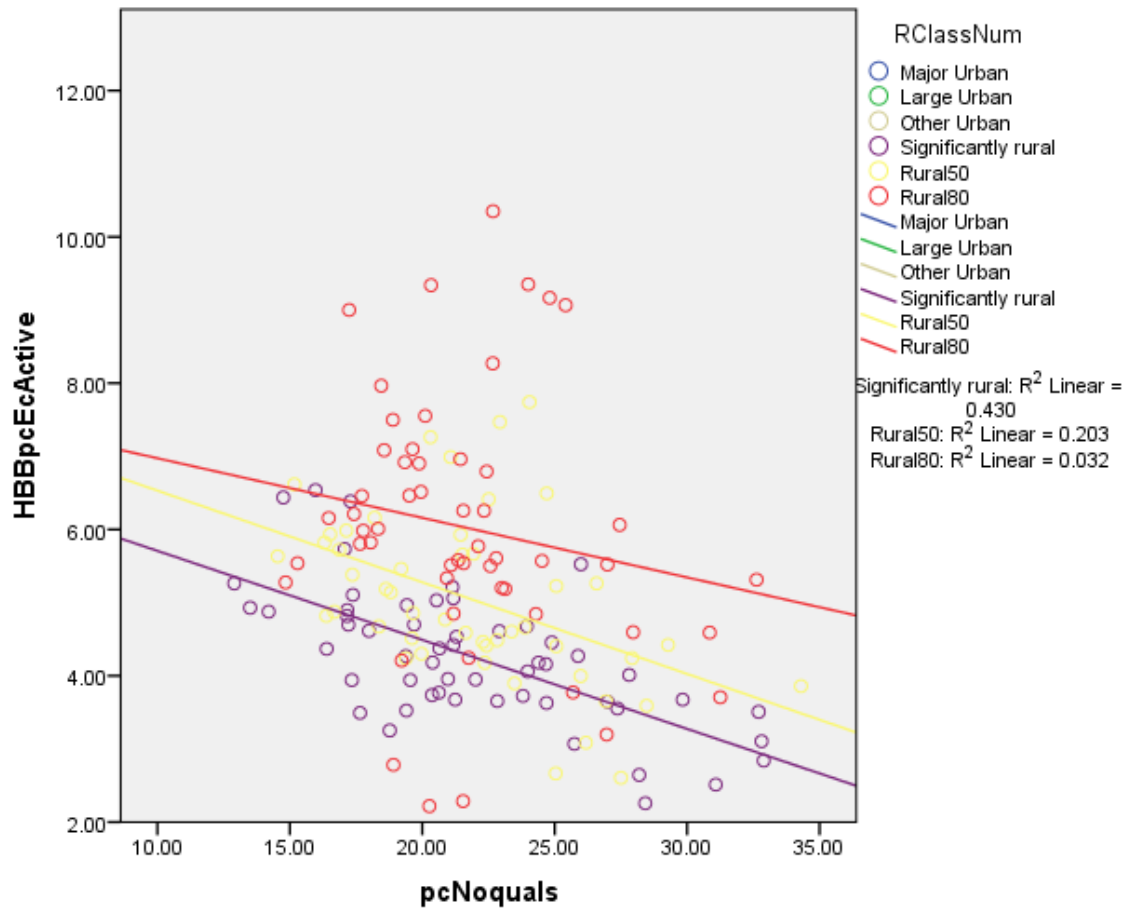
| | N | Mean |
|---------------------|-----|--------|
| Major Urban | 70 | 8,0257 |
| Large Urban | 39 | 6,4023 |
| Other Urban | 58 | 6,0524 |
| Significantly rural | 55 | 7,1642 |
| Rural50 | 48 | 7,9587 |
| Rural80 | 54 | 8,0281 |
| Total | 324 | 7,3213 |

Figure 3. Average house prices and average earnings for rural England districts (Data sourced from DCLG, 2014)



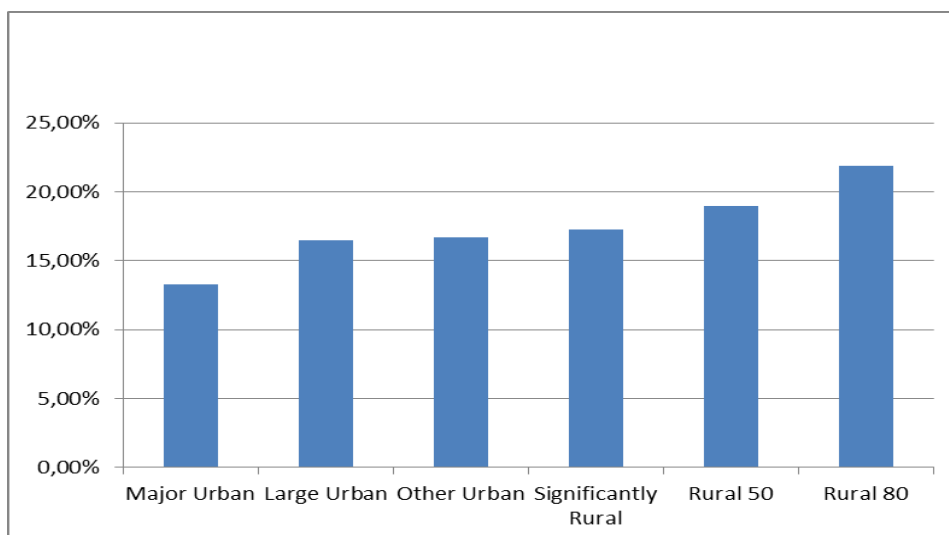
A further spatial correlation that is identifiable from Census data is that there are more HBBs in rural areas that have a higher share of the population with some form of academic qualifications (Figure 4). This again reinforces the association between the attractiveness of a local area and the prevalence of HBBs.

Figure 4: Comparing the proportion of HBBs in rural districts with the proportion of population that has no academic qualifications



From the Census data, further analysis to explore the professional status and sectors in which HBBs operated. This shows that more rural locations see higher shares of HBBs in the “Skilled Trades” professions (see Figure 5 which illustrates that in the most rural areas, 21.89% of home-based businesses are in this category) but professional, technical and care services HBBs are more likely to be based in urban areas. The numbers of responses are too low to carry out a detailed sectoral analysis from Census data but this is something that localised case studies could explore in greater detail.

Figure 5. The rural-urban distribution of home-workers in skilled trades occupations (A Pearson correlation of 0.492 is significant to the 0.001 confidence level)



Conclusions

Location clearly plays a significant role in understanding HBBs, both from the perspective of residential choices and business realities. District level data can only provide a certain level of insights. HBBs are more prevalent in rural area and additional data has shown that there are correlations with higher levels of education, less affordable house prices and a higher competitiveness index ranking. We have also confirmed that there are a high proportion of older people running HBBs (over 50% in rural England being over the age of 50) but the Census data has not shown a higher rate of female run HBBs, as suggested in some of the literature. This demonstrates the need to break down the categorisation of HBBs more effectively if we are to research them and design policies that will tackle the real issues faced by these groups of entrepreneurs, particularly in rural areas.

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