Home-based business: Setting straight the urban myth

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Home-Based Businesses: Setting Straight The Urban Myths

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Abstract

Home-based businesses make up the largest cohort of Australian businesses yet there has been little dedicated empirical research conducted into this group, as they have either been ignored as a discrete group or subsumed into the generic grouping of small business. A major reason for this lack of research is because home-based businesses have often been assumed to be hobby or artisan types of businesses, operated in an ad hoc part-time basis, mainly by women and often out of the metropolitan area, thus not conforming to mainstream business. The inference which can be made from these assumptions is that home-based business are not ‘legitimate’ or real businesses. The purpose of this paper is to present the results of a recent study into home-based businesses, which refute most of the assumptions and provide evidence that most home-based businesses are legitimate business operations. In addition home-based businesses are shown to be generators of real employment and that they also make a significant economic and social contribution to their local community.

Introduction

Home-based businesses are the single biggest business cohort in Australia, accounting for 67% of all small businesses and 58% of all businesses (Australian Bureau of Statistics [ABS], 2002). Home-based businesses (HBBs) are not a new phenomenon but what is precipitating the current interest in this cohort is the dual factors of emerging new technologies and industrial restructuring. This is demonstrated on the one hand by technology making it easier to actually work from home, while at the same time job losses in traditional mainstream occupations are making self-employment more attractive. These reasons may account for HBBs being the fastest growing business sector with an annual growth rate in 2001 of 16%, compared to 11% for small business in general (ABS, 2002), thus making them an important contributor to the national economy.

Home-based businesses tend to be at the micro end of the small business continuum and cluster in the service sectors, although HBBs do operate in most industry sectors. Little is known however about other issues such as why they operate from home and how similar they are to other small businesses on issues such as initial start-up and growth aspirations. This lack of detailed information has lead to assumptions or “urban myths” about businesses which operate from home such as:

- most owner/operators are female
- most businesses are craft/artisan type operations or cottage industries
• the businesses are operated only by the owner and do not generate employment
• the businesses operate out of the shed or from the kitchen table
• the businesses are not significant contributors to household income and are operated for pin-money
• the businesses operate on a part-time basis or as a temporary short-term measure until a 'proper' job comes up (Mirchandani, 1999; Morris & Pike, 2002; Small & Medium Enterprise Research Centre [SMERC], 2002a; Stanger, 2000, Stanger & Woo, 1999; Walker, Weigall & Horgan, 2002).

With these assumptions is an implicit notion that home-based businesses are somehow not ‘legitimate’ or ‘real’ businesses, as compared to businesses that operate from commercial premises and that HBBs in some way detract from businesses that do operate from commercial premises (Morris & Pike, 2002). This is illustrated by Stanger & Woo (1999), who refer to home-based businesses as garage-based businesses. What is interesting is that most businesses actually start off as small enterprises and often from a modest home-base, so the decision to grow and potentially move from a home-base has personal implications for the owner/operator in relation to aspects such as additional risk, both of a financial and emotional nature. Looking at the wider picture the growth of the home-based business sector also has significant economic development implications. This is important to all levels of government, but especially at a local government level, as this is the level of government that is the real business/regulatory interface. This business group is consequently worthy of some detailed investigation. The purpose therefore of this paper is to empirically test these assumptions or urban myths to see who really is operating a business from home and why they are doing so.

Review Of The Literature

Motivations for business start-up

The reasons why people start a business in the first instance has been extensively researched in the small business literature (Birley, 1996; Birley & Westhead, 1994; Buttner & Moore, 1997; Hamilton, 1987). Less well documented is why people choose their operational location, as location could well be a determinant in the growth plans and aspirations of the business (Horgan, 2001; SMERC, 2001). Reasons for initial start-up of a business are often driven by personal motivations, such as the need for achievement, wanting to be ones own boss or personal satisfaction (Birley, 1996; Volery, et al., 1997; Walker, 2002). As Feldman & Bolinho (2000, p. 53) state “for many individuals a career in self-employment, small business proprietorship and entrepreneurship represents both an escape from life in traditional organizational bureaucracies and an opportunity to generate greater personal wealth”.

In addition to personally defined affective motivations are financial motivations, with the two main financial reasons cited being the need for money and to achieve financial security (Cromie, 1987; Woo, Cooper & Dunkelberg, 1991). It would perhaps be more accurate to say that the reasons related to the need for money, would really be to make more money than the person was currently making, or had the potential to make, as an employee as opposed to being self employed or unemployed.

Parallel to these personal motivations for starting a business are the circumstances or situation that the potential new business owner finds themselves in. These situational motivations to start a small business often have negative connotations and centre around
aspects such as frustration and lack of control (Buttner & Moore, 1997; Marlow, 1997). Other situational reasons cited in the literature are the constraints of being in subservient roles; the perceived lack of opportunity for advancement or avoiding low-paid occupations (Birley & Westhead, 1994; Buttner & Moore, 1997; Walker, 2001b). These negative motivations have been extensively documented in studies of women, both from a small business perspective and in the general management literature, but are not just applicable to women, as some men also experience high levels of frustration with paid employment and therefore turn to self-employment as an alternative (Rosa et. al, 1994).

An additional negative motivation for becoming self-employed is job loss. Not only is this a huge personal emotional crisis, it is often a financial crisis. After losing a job, people can find themselves in the unenviable position of starting a business purely as a source of income. This potentially creates distressed or unwilling entrepreneurs (Keeble, Bryson & Wood, 1992) or small business owners who Stanworth & Stanworth (1997) and Brooksbank, (2000) refer to as ‘reluctant entrepreneurs’. These small business owners are in effect buying their employment and are also more likely to start a business from a home-base as this offers less risk from both a financial and emotional perspective (SMERC, 2002a).

Home-based business in context

In terms of their economic importance, small businesses represent 85% of all businesses in Australia. Of these, 1,162,000 small businesses, 67% were home-based which equates to 58% of all businesses in Australia being operated from home (ABS, 2002) making them the single biggest business cohort. To clarify what is actually meant by home-based business, within this business subset there are two further classifications, which are, ‘businesses operated at home’ and ‘businesses operated from home’. These are Australian Bureau of Statistics (ABS, 2002) definitions and are qualified as follows:

“‘businesses operated at home’ is where most of the work of the business is carried out at the home(s) of the operator(s). ‘businesses operated from home’ is where the business has no other premises owned or rented other than the home(s) of the operator(s)” (p. 80)

However in reality the figures mentioned above are estimations only. Recent studies have estimated that there is a business operating in 8-12% of all households in Australia (Care Consulting, 2002; City of Swan, 2001; Stanger, 2000). This imprecision may be due to the number of businesses operating in the informal sector of the economy, which in this context is taken to mean the black or ‘grey’ economy (Birley, 1996). Indeed the whole area of tax avoidance and the black economy in Australia is estimated to be worth anything from $3.9 billion to as much as $15.1 billion per annum (Blondell, 1998). As Lafferty, et al., (1997, p. 144) point out, “Obtaining accurate information on homeworking is difficult since much of it occurs in the informal sector of the economy”. What is clear is that home-based businesses make up a significant number of Australian small enterprises. So given the number of home-based businesses why has there been so little previous empirical research?

Why so little previous research?

There are some exceptions to this lack of empirical studies but they have often been ‘one-off’ funded studies which have had a specific emphasis on issues such as training or mentoring (Business Skills Victoria, 1996; Business Skills Victoria, 1997; City of Casey, 1998; City of
Manningham, 1997; Houghton, 1999; Holmes, Smith & Cane, 1997; Western Australian Department of Training, 1998a & 1998b). Looking at only the training needs of HBBs presupposes that they actually want training. Whereas it is clearly better to have people trained and equipped to operate their own businesses, often these very small businesses find it extremely difficult to find the time to engage in formalised training (Still & Timms, 1998; Walker, 2001a). Therefore the people who would most benefit from assistance to grow their businesses are probably the people least likely to access these services.

Other studies that have looked at home-based businesses have focused on specific industries such as the textile industry (Carter, Van Auken & Harms, 1992; Mirchandani, 1999; Sanchez Sanchez Soldressen, Fiorito & He, 1998) or on gender (Carter et al., 1992; Deschamps & Dart, 1998; Holmes, et al., 1997). Whereas these studies have given some valuable insight into the machinations of home-based businesses, they have perhaps unintentionally reflected HBBs as gender and industry specific thus developing the urban myths of women operating craft industries.

Reasons posited for the lack of empirical data are the perceived lack of credibility of HBBs as genuine businesses and the difficulty of identification (Morris & Pike, 2002; Stanger & Woo 1999). In relation to credibility, which underpins several of the urban myths, although home-based businesses have critical mass, they have in the past been perceived as less important in terms of revenue and as a generator of employment compared to other sectors of the economy, as the home-based business sector comprises predominantly of non-employing businesses. Indeed the issue of whether small businesses *per se* are true creators of employment is often debated and is a habitual election platform worldwide (Parker, 2001). What is perhaps overlooked when HBBs are not considered as job creators for others is the fact that self-employment is in itself job creation.

A parallel aspect of credibility is visibility. Businesses in some industry sectors have notoriously short life cycles, such as retail and hospitality (Ram, et al., 2001), yet are always regarded as legitimate business enterprises. This is because they are extremely visible, although clearly not always viable. ABS statistics confirm that many home-based businesses have survived the rigours of business operation longer than small businesses that operate from commercial premises (ABS, 2002). The data demonstrates that HBBs are not temporary or short-term focused businesses, which is one of the assumptions made about HBBs.

The second reason for previous lack of empirical information has been because of the difficulty of identification. Actually identifying and gaining a representative sample is cited by most other studies that have been conducted into home-based businesses (Deschamps & Dart, 1998; Morris & Pike, 2002; SMERC, 2002a; SMERC, 2002b; Stanger & Woo, 1999). One reason given is that often these businesses wish to remain obscure, possibly as they were potentially concealing themselves because of tax avoidance and legal and regulatory requirements (Carter, et al., 1992). Whereas tax avoidance is a national pastime in most countries, loss of potential revenue is a serious issue for all economies. Despite all of the difficulties that some HBB operators face, there does appear to be a re-emergence of businesses being run from home, which has both an economic and social value to the community.

**The economic and social importance of home-based businesses**

A strong home-based business sector has the dual benefit of contributing to the economic
wealth of a community and its social capital. The economic importance of HBBS, contrary to the urban myths previously mentioned, has already been mentioned, but of equal importance is the value of HBBS to the local community. As reported by Horgan (2001, p. 7) “the opportunity to work from home reduces local economic leakage and improves employment self-sufficiency through the capture of consumption expenditure, which in turn facilitates sustainable local economic growth”. It is known that people prefer to shop, socialise and transact close to where they live, therefore not only does the money stay within the local community, there is the potential to foster healthy businesses which in turn can create local employment opportunities (Horgan, 2001; SMERC, 2002a). As HBBS physically out-grow their residential address they are more likely to relocate to commercial premises within five to ten kilometres of their residence, retaining the benefits to the local economy (Horgan, 2001; SMERC, 2001).

Home-based businesses can help in the development of social capital through the progressing of a sense of community, thereby enhancing resident’s attachment to an area (Cox, 1999; Haslam McKenzie, 2002; Winter, 2000). Even though there is a growing ground-swell towards the acceptance of HBBS as legitimate business enterprises, there are still significant barriers that they have to overcome, principally the urban myths that still surround home-based businesses.

To reiterate on the myths, these were that, most operators are women; that the businesses are craft/artisan type operations or cottage industries; that they are operated only by the owner and do not generate employment; they operate out of the shed or from the kitchen table; they are not significant contributors to household income and are operated for pin-money and that they operate on a part-time basis or as a temporary short-term measure until a ‘proper’ job comes up. The focus of this study is to empirically examine these myths to see if they are applicable to a contemporary sample of home-based businesses and to also examine the motivations for starting and operating a business from home.

Methodology

The study combined both qualitative and quantitative methodologies, which culminated in an extensive postal survey in one geographic location which included both urban and semi-rural businesses. In the initial stages in-depth interviews were conducted with approximately 30 home-based business owner-operators to gain some insight into their business operations and how they felt about operating a business from their home. A survey instrument was developed from the interviews which took into account similar surveys that had been conducted previously (Walker, 2001b; SMERC, 2002a; SMERC, 2002b). The instrument comprised of several sections that sought business details and demographic data, reasons for starting the business in the first instance, why they choose to operate from home and what future plans, if any they had.

An existing database of home-based businesses was used, which had been derived using a combination of other business databases and clients from the local Business Enterprise Centre and was approximately two years old. As is the case with all databases, the accuracy was not assured therefore the initial database of 1,369 entries was qualified, that is the details were verified.

There had been some prior screening of the database so in total 1,289 entries were contacted by telephone. The purpose of this was threefold, firstly it checked if the business still existed,
secondly, it gave the opportunity to personally appeal to the business owner to complete the survey, and thirdly it verified detail such as postal address. This qualification methodology has been demonstrated to produce a high response rate, as not only is the business owner expecting to receive a survey, they have already agreed to complete it, thus eliminating any elements of surprise (Small Business Development Corporation 1998; Walker, 2001b).

In total 454 surveys were sent out. There were 160 surveys initially returned and after a reminder postcard, a further 38 surveys were received. This gave a total of 198 responses, of which 194 were useable, thus giving an overall response rate of 43%. This is a very acceptable response rate, as response rates of between 10 and 20% are often reported in empirical studies of small business (Reid, et al., 1999; Stanger & Woo, 1999).

It is acknowledged that there are limitations to this study, such as the small sample size, that it was collected from only one metropolitan area and that the database was derived from people who had already been identified as operating a business from home, thus not including the cohort of 'invisible' HBBs. Caution should therefore be exercised in extrapolating these findings to home-based businesses in general.

Results

The results have been divided into two sections, the first section gives a broad overview of the personal characteristics of the owner-operators and the characteristics of the business such as the type of business, number of employees and length of time in operation. This section also tests the six urban myths. The second section drills down further and details why the owner-operators choose to go into business in the first instance and why they operate from home.

The owner-operators and the businesses – refuting the urban myths

Only very broad demographic information was requested, as the focus of the survey was to ascertain details about operational aspects of home-based businesses, however the businesses themselves cannot be seen in isolation from the owner-operator. This is because so many of them are non-employing businesses that for many the owner-operator is “the business”. In relation to the number businesses that were either operating at home or from home, 70% were operating from home and the remaining 30% were operated from home, which is proportionate to current ABS data (ABS, 2002).

The majority (70%) of the sample were men, which is contrary to the first urban myth, but in keeping with general statistical data on gender ratio of small business owners (ABS, 2002). The age and educational attainment was broad, with the majority (58%) being between the ages of 30 and 50. Nearly half (43%) had a trade qualification but few (11%) had tertiary qualifications, which would reflect the number of trades people, such as plumbers and electricians that are classified as HBBs. Other demographic information gathered found that the majority of the respondents were either a couple or a family with children (92%). Of the 60% that had children, two thirds (67%) were dependent children, that is under 16 years of age.

Exactly half of the businesses (50%) were trades, such as building or plumbing, followed by personal services (15%) then business services (14%). The remainder were a combination of retail or wholesale, transport, manufacturing and leisure and entertainment. There were few craft types of businesses, hence dispelling the second urban myth.
The majority (61%) of the businesses were non-employing, however 33% employed between 2-4 staff and 6% employed between 5-10 staff. This does show that well over half of all HBBs are non-employing or just owner/operators, however given that 39% do actually employ staff, the third urban myth of HBBs being operated only by the owner is true for some but not for all, and that a significant proportion are real creators of employment.

In relation to the fourth urban myth, that HBBs operate from the back shed or kitchen table, the vast majority (90%) had dedicated work space for their business activity. Furthermore 45% converted an existing room and 23% build an additional room or workspace. Therefore this sample of HBBs were most definitely not operating from their kitchen table.

The businesses was also the primary household income for the majority of the male respondents in the study (72%) and for half of the female respondents. So whereas most HBBs were sole operations, the study found that they were certainly not being operated for pin-money, dispelling the fifth urban myth.

In relation to the length of time that the businesses had been in operation, over half (52%) had been operating for over 5 years and within this group half again had been in business for over 10 years. The study also explored whether the businesses were operated on a full-time or part-time basis. Over half (51%) of all respondents worked in their business on a full-time basis (41 hours or more) however in the lower hours bracket women worked slightly less hours than men. Again within this group one third of the respondents stated they worked more than 50 hours a week in their businesses. These figures indicate that most HBBs are full-time businesses, which is contrary to the last urban myth.

The second part of the results drills down further and discusses the motivations of the owner-operators to be in business and to why they operate from home.

**Initial start-up motivation and reason for operating from home.**

The secondary focus of the study was to examine the motivations for business start-up, as the rationale for why people choose to become self-employed underpins the whole small business ownership debate. In order to see if any discrete subgroups could be derived from within the survey items referring to initial motivation, the data was reduced. Exploratory factor analysis was conducted on the fourteen items that asked respondents what were the motivations to start their own businesses. The method used was Principal Component Analysis with varimax rotation, and only factors with eigenvalues over 1 were extracted (Bryman & Cramer, 1999; Kim & Meuller, 1978).

Four different factors or categories emerged describing the owner-operators’ start-up motivations. The mean scores are shown below and are derived from a 6 point scale with anchors of strongly disagree (1) and strongly agree (6), therefore the closer to 6, the higher the score.

<table>
<thead>
<tr>
<th>Groups</th>
<th>No</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factor 1 - start-up: personal internal</td>
<td>194</td>
<td>1</td>
<td>6</td>
<td>4.72</td>
</tr>
<tr>
<td>Factor 2 - start-up: family balance</td>
<td>194</td>
<td>1</td>
<td>6</td>
<td>4.02</td>
</tr>
<tr>
<td>Factor 3 - start-up: financial</td>
<td>194</td>
<td>1</td>
<td>6</td>
<td>3.34</td>
</tr>
<tr>
<td>Factor 4 - start-up: negative external</td>
<td>194</td>
<td>1</td>
<td>6</td>
<td>2.25</td>
</tr>
</tbody>
</table>
The four factors have been categorised as 1, personal internal reasons; 2, family balance reasons; 3, financial reasons and 4, negative external reasons. The first category, personal internal, was derived from the HBBs whose motivations for starting their own businesses included wanting to be one's own boss, seeking personal challenge, personal development and recognition. The second category consisted of those who sought family balance, such as being able to balance work and family and who were seeking a more flexible lifestyle, reasons that women were traditionally assumed to be motivated by. The third category comprised of people who chose self-employment for financial reasons such as to make lots of money or financial security. The final category comprised of people who went into business because they had been either been made redundant, could not find suitable employment or to avoid low paid employment. The results here show that most HBB owner-operators went into business for personally defined reasons and few went into business because they were forced into it based on negative reasons.

The study also explored in more depth whether all of the reasons for operating from home could be reduced using factor analysis on the fifteen related items. As with the previous set of factors, the mean scores of the respondents are shown below. The mean scores are derived from a 6 point scale with anchors of strongly disagree (1) and strongly agree (6), therefore the closer to 6, the higher the score.

<table>
<thead>
<tr>
<th>Groups</th>
<th>No</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factor 1 – Risk averse</td>
<td>194</td>
<td>1</td>
<td>6</td>
<td>4.56</td>
</tr>
<tr>
<td>Factor 2 – Convenience</td>
<td>194</td>
<td>1</td>
<td>6</td>
<td>4.46</td>
</tr>
<tr>
<td>Factor 3 – Contented</td>
<td>194</td>
<td>1</td>
<td>6</td>
<td>4.31</td>
</tr>
<tr>
<td>Factor 4 – Nascents</td>
<td>194</td>
<td>1</td>
<td>5</td>
<td>1.80</td>
</tr>
</tbody>
</table>

Four different factors or categories also emerged identifying the different reasons for operating a HBB. These ‘operate from home’ factors have been categorised as 1, risk averse; 2, Convenience; 3, contented and 4, nascents.

The category or grouping with the highest mean score was factor 1 “risk averse”. These were HBB owner-operators who did not want the financial pressures associated with operating businesses in commercial premises or were businesses that did not generate high margins from their work. This group correlated to business which indicated that they were service types of businesses, where it is know that it is more difficult to gain leverage in order to grow the business.

The second category was factor 2, “convenience”, who were identified as the HBB owner-operators who liked the freedom of working from home, appreciated the lower running costs, had space available and used technology to assist them. Some also indicated that they needed to balance work and family. The third category, “contented” were the HBB owner-operators who wanted to stay small, had little or no growth aspirations and saw no need to ever move out of home. The final category “nascent” were the HBB owner-operators who are either just starting and testing the market, may have developed the business from a hobby or saw home as a temporary measure.

The three main points of interest were that the group with the lowest mean score was the nascents, that most of the businesses owners were conservative in their business thinking and
the longer they had been operating from home, the less likely they were to move to external premises.

Discussion

The demographic results show that the profile of the typical home-based business owner-operator was a male, working full-time in their business, which was likely to be either a trade type of business or a service type of business. Further, the business was their household's primary source of income and had been operating for at least five years and possibly for much longer. This profile is diametrically opposite to the perceived HBB owner-operator, that being a female, working part-time for pin money till something better came up. The findings from this study are at odds with some previous findings and therefore refute some of the urban myths surrounding home-based businesses.

Neither do home-based business owner-operators appear to be very different from other small business owner-operators in their rationale for starting their businesses. The findings from this study have shown that the main reason for starting the business was for personally defined reasons, which is consistent to other studies previously mentioned, with less emphasis on the negative reasons for business start-up. This was demonstrated by some of the comments made in the interviews:

I always intended to own my own business, I did my time working for other therapists and when the opportunity came up to start-up on my own, I just went for it. Working from home is ideal for me, I don't need other premises as I go to them, that's my competitive edge you see, they don't have to waste time going somewhere as I go to their place.

This person also referred to the convenience of being home-based, which was frequently mentioned. Convenience was stated as the most common reason of operating a business from home. Further it was often linked to the length of time that the business had been operating and as found in the quantitative findings, the longer the business has been operating the less likely the business was to move to commercial premises. This is illustrated by the next comment:

I am happy to work from home, I share office space with a couple of other guys who were doing the same sort of work as me, but I was paying out rent and didn't really get any benefits. Drafting has changed so much over the years that the CAD programme I have now is so quick and being able to work via the internet means I don't actually need to even see clients anymore. I know one guy who does work for someone in the Middle East that he has never seen.

What this comment also highlights is the effect of technology, one of the key factors in the re-emergence of HBBs. Quite clearly the convenience factor will always be the most significant reason, made even easier by technology. Even though technology can benefit all businesses, what was interesting was that relatively few businesses were fully utilising technology. This is possibly because of the preponderance of trades types of businesses in the sample, who were somewhat skeptical of the benefits of the new economy. This kind of general skepticism of business ownership and the difficulties of operating a business, regardless of location are best summed up by this comment;
We’ve had the business for about 4 years now, its pretty tough at the moment, and the GST didn’t help. Everyone is down on margins and there is no fat in jobs today. We can survive because we keep overheads to a minimum, I get my wife to help with the books and really can’t ever see the business growing to such a size that we would need to move out of this home office to somewhere else, besides, why take on more debt than you need, its hard enough as it is with all the taxes that small business has to pay.

This tradesperson was quite clear in demonstrating a common scenario for small business in general, that being the necessity to be a ‘jack of all trades’ and the equally common scenario of the spouse being the additional assistance. These operational difficulties do seem to be somewhat offset by HBBs as they do have lower overheads and therefore less financial risk, which fits them into the risk averse category.

As stated in the literature the disadvantages of operating a home-based business most mentioned were the sense of isolation and the credibility factor, that is not being taken as seriously as other small businesses. These were seen by the respondents as major barriers to the overall acceptance of home-based business as a legitimate business entity. These two difficulties are highlighted by the following comments.

The one big drawback is the isolation from other business people, I miss having work colleagues to bounce ideas off.

I am sometimes unsure what to charge because people think I should be cheaper than the big boys on the Terrace because I work from home, even though I have 25 years experience with major organisations.

The aspect of credibility is perhaps the hardest to overcome as it is perceptual as much as actual. This is from the side of the HBB itself and also from the perspective of the people and organisations that the business deals with. Whereas there appears to be renewed interest from governments to promote home-based business this sector is not necessarily being embraced by other business sectors, in particular businesses that are not suitable to operate from home and are therefore required to operate from commercial premises. The obvious angst these business owners feel towards HBBs is centred around the additional financial impost they have with payments of rates, mortgages or rental on their commercial premises (Morris & Pike, 2002). This brings up the question of whether HBBs should be allowed to operate from home, thus giving them an unfair advantage over businesses that operate from commercial premises.

As the majority of the respondents had no intention of ever moving to commercial premises and were happy to continue being home-based indefinitely, respondents were asked what they would do if they could no longer operate their business from home, that is, if local government legislation changed to restrict operations. The response to the question was that many said they would either just sell up, simply cease or become less visible.

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1 One of the difficulties for both HBBs and local government is the lack of uniformity across councils on HBB regulations (Horgan, 2001).
Simply ceasing would be a real possibility for some, as service type businesses have little to sell in the way of assets, given that their main asset would be the family home. The other option, which is a worst case scenario from a regulatory or policy perspective, is that the owner-operators stated that they would go ‘underground’, meaning that they would continue to operate their businesses but might scale down and not declare income. This would have severe impact on local economies, given the demonstrated financial and social worth that HBBs bring to their local communities. A comment from one of the respondents perhaps sums up the community importance of home-based businesses:

“I am the neighbourhood watch, the safety house, the people in my street like the fact that I am here all day”.

So are HBBs a special case and do they need to be treated differently? They are certainly similar to all small businesses in relation to their being genuine enterprises that contribute significantly to the national economy and therefore they should be recognised as legitimate businesses, equal to businesses that are operated from commercial premises. However there are some points of difference.

These are principally credibility and some operational issues such as lack of ‘organisational support’. As previously stated credibility is difficult to gain, especially when other businesses are not necessarily in favour of HBBs as they are perceived as having an unfair advantage. Lack of organisational support relates to more to the businesses that operate at home as they are likely to have a reduced work network and therefore have isolation difficulties and may find it harder to maintain professional links. This also makes it harder for them to maintain credibility.

Conclusion

Most HBBs are operating at home because it is simply convenient to do so and they would never move their businesses to commercial premises. Whereas this would appear to demonstrate that as a group they have little growth aspirations, they are in reality mirroring the general small business community. Over and above the economic value they produce because of the volume of businesses, their real value is in the social capital they build for their local communities. Given the rapidly increasing technological advances which has facilitated the feasibility of operating a business from home, it can be anticipated that the growth in this sector will continue. Therefore governments at all levels do well to embrace this particular business cohort and to encourage its growth. As has been demonstrated, if HBBs are not encouraged they will not actually go away, they are more likely to go ‘underground’ which will benefit no-one.

Given that many small businesses and therefore many home-based businesses are actually non-employing businesses, HBBs may not be large employment creators for anyone other then the owner-operator. However, self-employment in itself can be deemed as job creation and if these owner-operators would not be employed in other ‘mainstream’ employment, ie they have become self-employed through general industrial restructuring and are unlikely to easily get back into the paid workforce, then their own self-employment means that they are not dependent on other means, such as government agencies for financial support. Whereas this was not a major category in the sample, there were respondents who did state that this was their situation. Further with continuing industrial restructuring this is a situation that is likely to become more prevalent.
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