

Home Truths: The true value of home-based businesses

A report for FSB Scotland by

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The UK's Leading Business Organisation



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Executive Summary

Introduction

It is well known that small businesses, sole traders and the self-employed form the backbone of the economy. What is less appreciated is that more than half of these businesses operate in, or from, the home. The Scottish Government estimates that 56% of businesses in Scotland are home-based. This report provides the first ever profile of home-based businesses in Scotland; revealing that home-based businesses account for 17% of all private sector employment and almost 10% of private sector turnover in Scotland. The report is based on a survey of the Scottish membership of the Federation of Small Businesses.

Recommendations

This report demonstrates the economic significance of home-based businesses to the Scottish economy. It shows that home-based businesses are found throughout the economy, though are often not distributed evenly either by sector or by geography. The report further suggests that many stereotypes associated with home-based businesses are simply inaccurate, since most home-based businesses are diverse with distinct sub-groups having distinct needs. It is therefore important not to adopt a 'one size fits all' approach.

Home-based businesses are particularly important for two reasons. First, a majority of businesses are based in the home. And second, the home is a significant business incubator: the majority of businesses that operate from commercial premises started in their founder's home, moving out when the business concept was proven or when they began to grow. Moreover, trends in both the number of home-based businesses and the proportion of



businesses based in the home is upward.

The findings lead us to make the following recommendations:

1. The vast majority of home-based businesses are serious commercial ventures, a significant proportion report increasing turnover and many sell across the UK and internationally. So, policy-makers must take home-based businesses seriously.
2. Further research is required to investigate the eligibility of home-based business for business support, with a view to ensuring that home-based businesses have the same access as any other business to public sector business support.
3. The Scottish Government should mirror the measures announced by the UK government in August 2014, namely that as long as the premises is primarily residential planning permission will not be required to run a business from home and business rates are not applicable.
4. To remove the uncertainty for home-based businesses concerning the regulations that apply to home-based businesses, we recommend that each local authority in Scotland produces a guide to running your business from home that details the local and national rules and regulations that apply to home-based businesses, practical advice from existing home-based business owners and information on sources of advice and networking.

5. We recommend that standard tenancy agreements for both private and social housing are revised to allow home-based businesses.

6. Finally, the study noted that there is a latent demand for work hubs and similar types of temporary space amongst some home-based businesses in urban areas. We therefore recommend that local authorities in urban areas should work with other public bodies and providers to ensure an increase in the supporting infrastructure for home-based businesses. This could take the form of serviced offices, co-working space and maker space to provide them with space and equipment that is unavailable in the home and to facilitate collaborative working.

Significance

Nearly four in ten businesses defined themselves as home-based businesses, operating in or from domestic premises. More than half of all businesses started in their home, with 31% subsequently moving into commercial premises. Meanwhile, 13% of home-based businesses started in commercial premises and subsequently moved into the home. For the majority of current home-based business owners, home is seen as being the permanent location for the business.

Characteristics

Home-based businesses are found throughout the economy, although are not distributed evenly either by sector or by geography. In terms of sector, the main concentrations of home-based businesses are in the hotel, catering, leisure, tourism and entertainment (24%) and business services (12%) sectors. Smaller concentrations are found in the creative services (8%) and

construction (7%).

The home-based businesses in this study are surprisingly well-established, with over half (54%) having traded for at least 10 years. Nevertheless, this is slightly younger than is the case for other businesses.

Home-based businesses are more likely to operate on a part-time basis than other businesses: 31% work fewer than 40 hours a week (cf. 21%). However, 12% of home-based business owners work over 70 hours a week in their business. Women home-based business owners are more likely than their male counterparts to work part-time in their business.

Home-based businesses are also, typically, very small; 73% have a turnover of less than £100k compared with 33% for other businesses. However, 3% of home-based businesses have a turnover in excess of £500,000 underlining that a home location does not preclude significant growth.

Home-based businesses also employ fewer staff than other businesses. Nevertheless, the majority (73%) do create full-time paid employment.

Markets

Home-based businesses are more likely than other businesses to derive sales from across the UK and internationally. Linked to this wider geographical reach of home-based businesses is their greater reliance on internet sales. Some 36% of home-based businesses derive sales from e-commerce compared to 28% of other businesses. Moreover, 14% of home-based businesses derive in excess of 75% of their sales from e-commerce, a significantly higher proportion than for other businesses.



The Home Dimension

In 59% of cases the business is undertaken in the home – either in the home itself (39%) or an external building (20%). The remainder operate from home but conduct their activities away from the home (e.g. at the client's premises) or are mobile (e.g. van). Of those businesses that operate in the home, 40% report that they have a room that they use exclusively for their business, another 18% use attached external premises, and 4% use an extension. However, 30% of home-based businesses use space that is also used for domestic purposes.

The vast majority of home-based business owners are owner-occupiers (89%), with only eight per cent in rented property (mostly private rented).

Owner Characteristics

The majority of home-based business owners are male (66%) with the gender split between male and female business owners almost identical for home-based businesses and other businesses. Home-based business owners are more likely than owners of other businesses to have no children (18 and below) living at home (74% cf. 69%). The proportion of women business owners who had children is almost identical for both home-based business owners and others (28% cf. 29%). But women home-based business owners had more children than women owners of other businesses (mean of 1.92 cf. 1.75). Further analysis suggests there is some support for the 'mumpreneur' home-based businesses owner stereotype, but on balance the home-based business sector does not attract more women (with or without children).

Income

In only one-third of cases did the business provide the only source of household income. This reinforces the part-time nature of a significant

minority of such business noted earlier. Even amongst full-time businesses the majority also receive household income from other sources – regardless of whether they are home-based businesses or not (61% of full-time home-based businesses and 53% of full-time other businesses).

Reasons for Operating From Home

The most frequently cited reasons to operate a home-based business are the nature of the business (65%), convenience (61%) and to reduce costs (56%). Secondary reasons are the high cost of commercial premises (31%), work-life balance (31%) and to avoid commuting (27%). Motivations for male and female home-based business owners were generally similar. However, childcare considerations were cited more frequently by women than by men (19% cf. 7%).

The major advantages that arise from running a business from home, cited by more than half of respondents, are flexible working hours (71%), no premises costs (63%), no commute (59%), low costs (58%) and suitable workspace (51%). There are also a variety of disadvantages of running a business from home, the most significant of which is the lack of boundaries between work and family.

Impact on Neighbours

Operating a home-based business has rarely created issues with their neighbours (only 4% of respondents indicated problems). In some cases, this can be attributed to the lack of 'immediate' neighbours in rural areas. Some mentioned positive attitudes of neighbours towards their home-based businesses because they feel safer knowing that someone is around during the day.

Introduction

Small businesses, sole traders and the self-employed form the backbone of all economies. Their significance is increasing.¹ In the case of Scotland, the latest official statistics indicate that 71% of businesses are sole traders with no employees, a further 24% have 1-9 employees and 9% have between 10 and 49 employees. Together they account for close to half (49%) of the employment in the private sector and one-third of turnover (Appendix 1). What is less appreciated is how many of these small businesses operate in, or from, their owner's home. Acacia Avenue and its neighbouring streets are just as significant a location for business activity as an industrial estate – but they are typically invisible to the passer by, or even the neighbour. The divide between home and work that was established in the factory era has well and truly broken down.

Home-based businesses are usually not captured in survey data or administrative data. Enterprise Nation² estimates that over half of all UK small businesses operate from home, and their number is increasing year-on-year. The proportion is slightly lower at 47% of all UK SMEs in the UK Survey of Small-and Medium-sized Enterprises' Finances 2004.³ Taking into account those businesses which start from home and then move into commercial premises, this estimate rises to around 70% according to Enterprise Nation. In the Labour Force Survey, 57% of the self-employed in the UK work from home (2013 annual survey; own estimate).⁴ This percentage share is slightly

¹ In the UK 40% of the rise in jobs has been in self-employment. (I Hatfield (2015) *Self-Employment in Europe*, IPPR)

² Enterprise Nation (2014) Home Based Business Report, in association with Direct Line Insurance.

³ Own estimate based on UKDA Information for Study 5326; weights for the SME population applied.

⁴ Population weights applied.



higher in Scotland at 60% according to the Annual Population Survey.⁵ The contribution of home-based businesses to the economy is estimated to be around £300bn.⁶

The Scottish Government estimates that there were 187,640 home-based businesses in Scotland in 2012 corresponding to 56% of Scottish SMEs and 58% of Scottish micro-businesses (Appendix 2). Applying the estimated percentage shares of home-based businesses by business size estimated by the Scottish Government (Appendix 2) to the business population estimates for Scotland released by the UK Department of Business, Innovation and Skills (Appendix 1)⁷, suggests that in 2014 in Scotland (Appendix 3):

- **291,000 jobs** were created through home-based businesses (including the owner).
- **17.1% of all private sector employment** in Scotland was created by home-based businesses.
- Home-based businesses contributed **£19.7 billion turnover** to the Scottish economy.
- This corresponds to **9.6% of total private sector turnover**.

There have been several drivers that have increased the number of people starting their own micro business. First, is the reduction in the significance of size and economies of scale. Information and communication technology

⁵ APS January 2012 to December 2012; estimate provided by the Scottish Government.

⁶ See footnote 1.

⁷ BIS (2013) Annual business population estimates for the UK and regions in 2013. BIS national statistics. <https://www.gov.uk/government/statistics/business-population-estimates-2013>



(ICT) in the form of cheap and powerful personal computers and open-source software have provided small businesses with the power, scope, and access of large companies, but without sacrificing the independence and flexibility of being small. Technology has also enabled one-person businesses and small businesses to cooperate, collaborate, and coordinate with independent workers and companies separated by geography to work on collaborative projects. The internet, and electronic trading platforms in particular (e.g. E-Bay, Amazon, Etsy, notonthehighstreet.com) along with money transfer mechanisms (notably PayPal), have been particularly important in enabling small businesses to serve small, geographically dispersed, market niches cost-effectively (the 'long tail' phenomenon). There are increasing opportunities to outsource various parts of the production process (for example, distribution and shipping). Advances in production technologies that connect personal computers to a wide range of machine tools have encouraged small scale manufacturing. Second, is the increasing tendency for large organisations to restructure work around projects which has resulted in a reduction in numbers of permanent jobs and an increase in the use of independent contractors, freelancers and subcontractors. Third, the growth of home-based businesses has been boosted by those who have seen it as providing a flexible form of economic activity (for example, the number of hours worked, the configuration of hours worked, the time periods worked, and the location of work) and an enhanced quality of life which people are increasingly willing to trade-off against financial return.

National and local policy-makers have been slow to appreciate the importance of home-based businesses and are now playing catch-up. Indeed, the uncertainties associated with running a business from home – particularly relating to planning permission, business rates and tenure regulations – means that there are likely to be many more home-based businesses that



operate 'under the radar' and hence do not appear in economic statistics. However, this situation may be beginning to change: last August the UK government announced legislation to make it easier for people in England to start a business from home. Entrepreneurs will no longer be required to apply for planning permission to run a home-based business, no business rates will be payable on the majority of these home-based firms, and the government will introduce a new tenancy agreement making it easier to run firms from rented accommodation.⁸

This report provides the first ever profile of home-based businesses in Scotland. It is based on a survey of the Scottish membership of the Federation of Small Businesses. It has two objectives: first, to present new information on the scale and nature of the home-based business sector in Scotland and in so doing to challenge some myths about the sector; and second, to propose ways in which local and national government in Scotland can support this unrecognised sector of the economy.

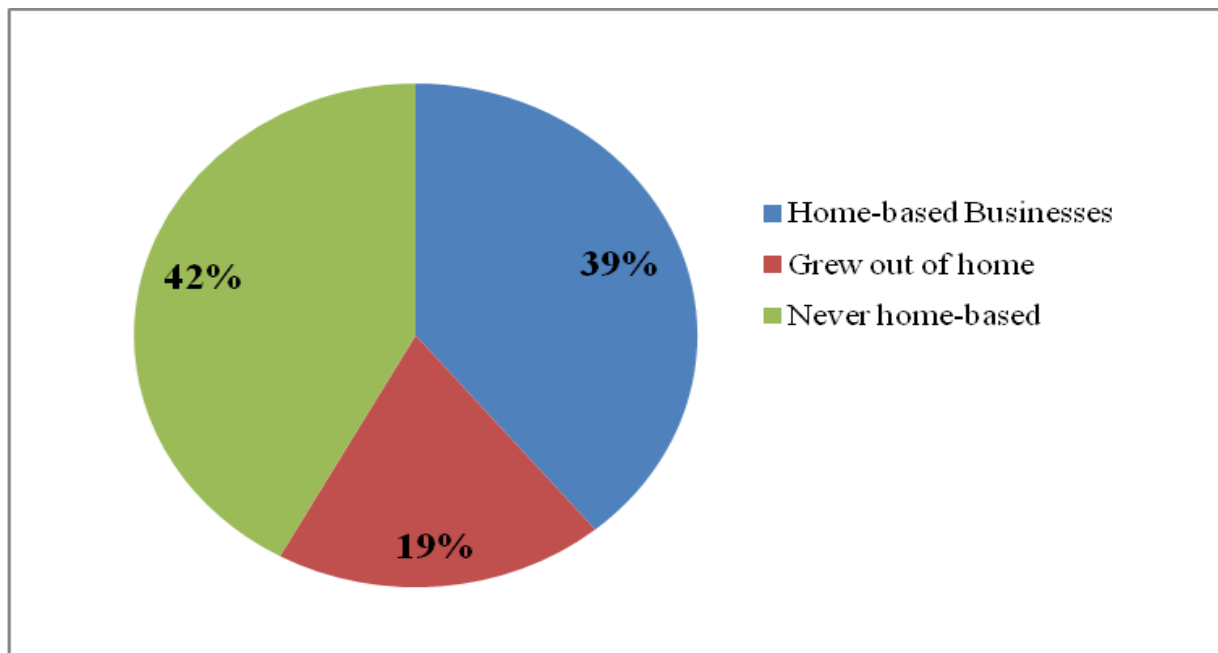
⁸ Home businesses get unexpected boost as Government strives to create more entrepreneurs, *Daily Telegraph*, 15 August.

Home-Based Businesses in Scotland: An Overview

In November 2014 just over 12,000 of FSB Scotland's members were invited to complete an online survey. Responses were received from 1,128 members. There were 999 usable responses. This represented a nine per cent response rate, slightly lower than the response to a previous general-focus survey (2005) of the UK-wide membership which attracted an 11% response.

Nearly four in ten (39%) respondents defined themselves as home-based businesses operating a business either in, or from, their home (Figure 1). This represents an increase from 36% in the 2005 survey. To put this into context, more businesses operate from home than from retail premises (21%), factory/workshop/ business units (22%) or commercial offices (13%).

Figure 1. The importance of the home for business location



Note: n=999 businesses.

Source: FSB member survey Scotland, 2014

The significance of the home as a business incubator is even greater than this. More than half of all businesses started in their home (Figure 1). Moreover, 65% of business start-ups, which started trading in the past two years (2013/2014), were located in the home.

In the case of home-based businesses, 87% started (and remained) in the home while 13% started elsewhere and subsequently moved into the home. In the case of non-home-based businesses, 31% nevertheless started in the home and subsequently moved out. For these businesses, the most frequent reason for moving the business out of the home was that it had become too big (cited by 74% of firms). Less frequently cited reasons included: confidence that the business was going to be successful (37%), image considerations (29%), having to invite customers/client to the home (27%). Family life reasons were cited by 20% of these business owners.

Businesses that grew out of the home⁹ are more often located in urban areas than rural areas in Scotland (59% compared to 41% of all home-based businesses and 53% of other businesses). More than one-third of these businesses are located in a city (35% vs. 22% of non-home-based businesses). These businesses are in a wide range of industries, but with higher proportions in construction (12%), manufacturing (14%) and retailing (12%). Almost half of these businesses are B2B with most of their sales coming from the whole of Scotland (28%) or the UK (25%).

Those businesses that made the opposite move¹⁰ – from commercial premises into the home – gave a variety of reasons for doing so. Key considerations were to save costs (58% of businesses that moved), no longer a need for

⁹ N=179 businesses excluding mobile businesses.

¹⁰ N= 38 businesses.

commercial premises (47%), and technology (36%). The nature of the business – mentioned most often as motivation for running the business from home – and the layout of the home (30% work in attached/external premises in the home) are likely to have facilitated this move.

This group of businesses that moved back into the home is quite diverse. It includes both young and established business.¹¹ More than three-quarters employ staff (compared to only 60% of other home-based businesses) and just over two-thirds have had a turnover of £50,000 and more (compared to 52% among other home-based businesses). The businesses are distinctive in terms of their industry composition. They are more likely to operate in business services (21% vs. 11%), creative services (13% vs. 8%) and construction (13% vs. 6%) and less likely to be tourism businesses (8% vs. 26% of other home-based businesses).

Underscoring this locational stability of home-based businesses is that just over three-quarters (76%) were started in what is their owner's current home. However, there is a subset comprising 21% of mobile home-based business owners who moved home to start their business. Although some of these business owners moved short distances (20% up to 5 miles), 46% moved over 200 miles from their home to start their business. The vast majority of these businesses (90%) are located in rural Scotland. It is striking that women are over-represented in this group of long-distance movers (44% are women compared to 34% of women home-based businesses in the sample). These business owners were mainly in their forties or fifties. More

¹¹ One-quarter have been trading for 25 years and more. These businesses are more often than other home-based businesses run as limited company (50% vs. 32%) and 'bigger' both in terms of employment and turnover.



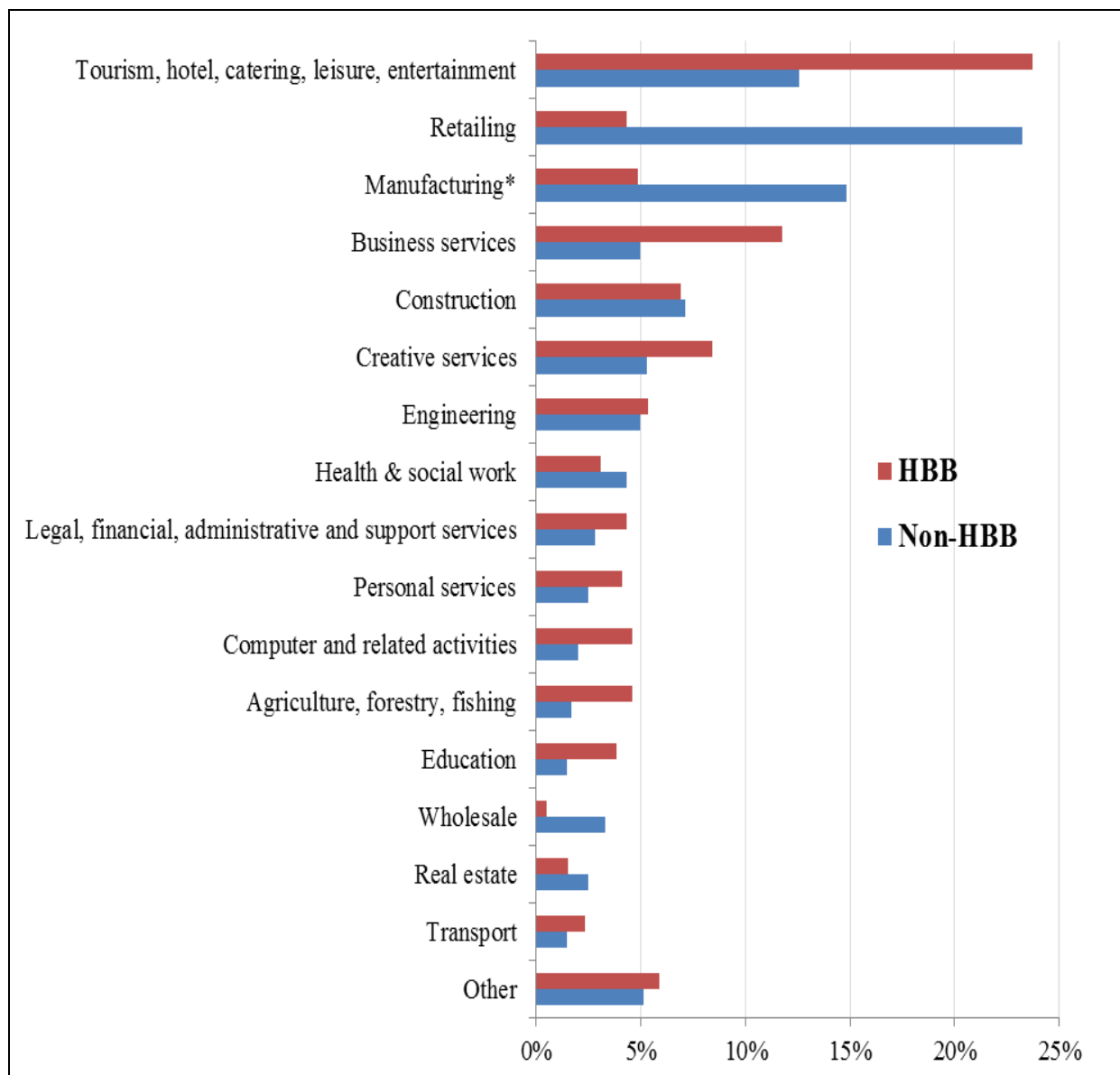
than three-quarters of these businesses are in the tourism sector.

For the majority of current home-based business owners, home is seen as being the permanent location for the business: 47% thought that a move to commercial premises will never happen while 27% thought that such a move was unlikely. Just 4% said it was very likely and 3% said it will happen while 19% said it was possible. For these businesses likely push factors would be that the business became too big (73%), with secondary factors being difficulties in recruiting staff (44%), confidence that the business will be successful (39%), difficulties in inviting clients and customers to the home (30%) and securing finance (26%).

Sector and Geographical Dimensions

Home-based businesses are found throughout the economy, although are not distributed evenly either by sector or by geography (see Figure 2).

Figure 2. Industrial distribution of home-based businesses



Note: *including sale and maintenance of motor vehicles; n=998 businesses

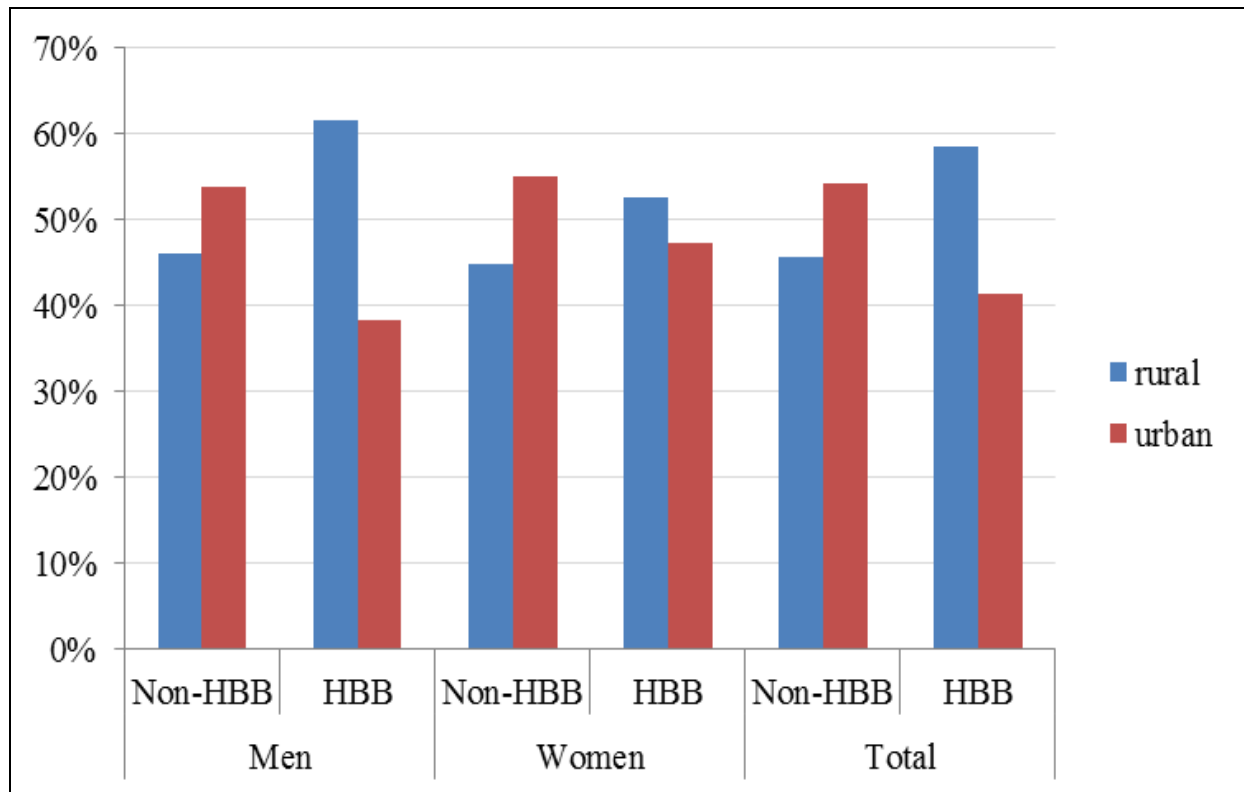
Source: FSB member survey Scotland, 2014

In terms of sector, home-based businesses are concentrated in two main sectors: almost one-quarter (24%) are in the hotel, catering, leisure, tourism and entertainment sector and 12% are in business services. Smaller concentrations are found in the creative services (8%) and construction (7%). The dominance of the hotels, etc. sector is reflected in the fact that 22% of home-based businesses operate from commercial premises in which domestic accommodation is attached.

The relative over-concentration of home-based businesses in the tourism sector is reflected in their geography. Home-based businesses are predominantly located in rural local authority areas¹² (Figure 3). Self-classification based on geographical categories confirms this rural bias. Home-based businesses are much more likely to be in villages (21% cf. 12%) and rural or remote locations (32% cf. 15%) and are less likely than other businesses to be located in city centres (2% cf. 9%), inner city areas (6% cf. 10%) and small towns (19% cf. 31%). This rural basis of home-based businesses is a function of the hotels, etc. category which accounts for 30% of all rural home-based businesses. However, it is also the second largest category of urban home-based businesses (behind business services), accounting for 15% of the total. There is also a gender dimension in the geography of home-based businesses, with women home-based business owners more often located in urban areas than their male counterparts (Figure 3).

¹² The Scottish Government's urban-rural classification is based on a six-fold typology. In this analysis local authorities are classified as 'urban' if the population lives mainly (>50%) in 'large urban' or 'other urban' areas. The local authorities that fall into the other four categories (accessible small towns, remote small towns, accessible rural areas, remote rural areas) are classified in this analysis as rural.

Figure 3. Location of home-based businesses by gender and urban-rural classification



Note: N= 988 businesses.

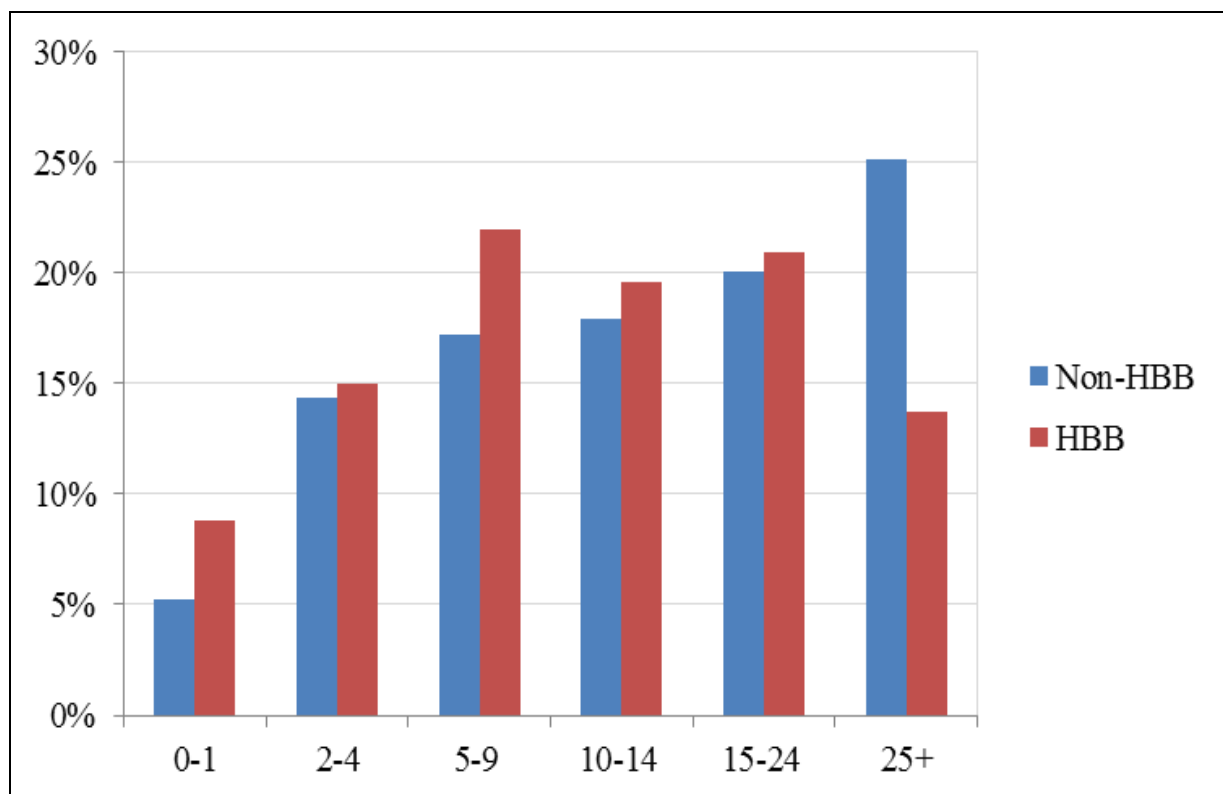
Source: FSB member survey Scotland, 2014

However, it is important not to over-emphasise the significance of the hotels, etc. sector in the rural home-based businesses economy. First, seven out of ten rural home-based businesses are not in this sector. Second, there are 12 industry sectors (out of 22) which have a higher share of rural home-based businesses. Excluding the very smallest industries, these rural favouring home-based business areas include: construction (7.1% vs. 6.8%), agriculture (6.2% vs. 2.5%), engineering (5.2% cf. 4.3%), manufacturing (4.4% cf. 3.7%), digital and telecoms (4.9% cf. 4.3%), and transport (3.5% cf. 0.6%). The only sectors where urban home-based businesses are much more significant are business services (17.3% cf. 8.0%) and creative services (11.1% vs. 6.6%).

The Nature of Home-Based Businesses

The home-based businesses in this study are surprisingly well-established, with 22% trading between 5-9 years and 21% 15-24 years. Nevertheless, this is slightly younger than is the case for other businesses (Figure 4). This may well reflect the nature of the FSB membership which is skewed towards established businesses rather than new or recent start-ups.

Figure 4. Years of trading



Note: 979 businesses.

Source: FSB member survey Scotland, 2014

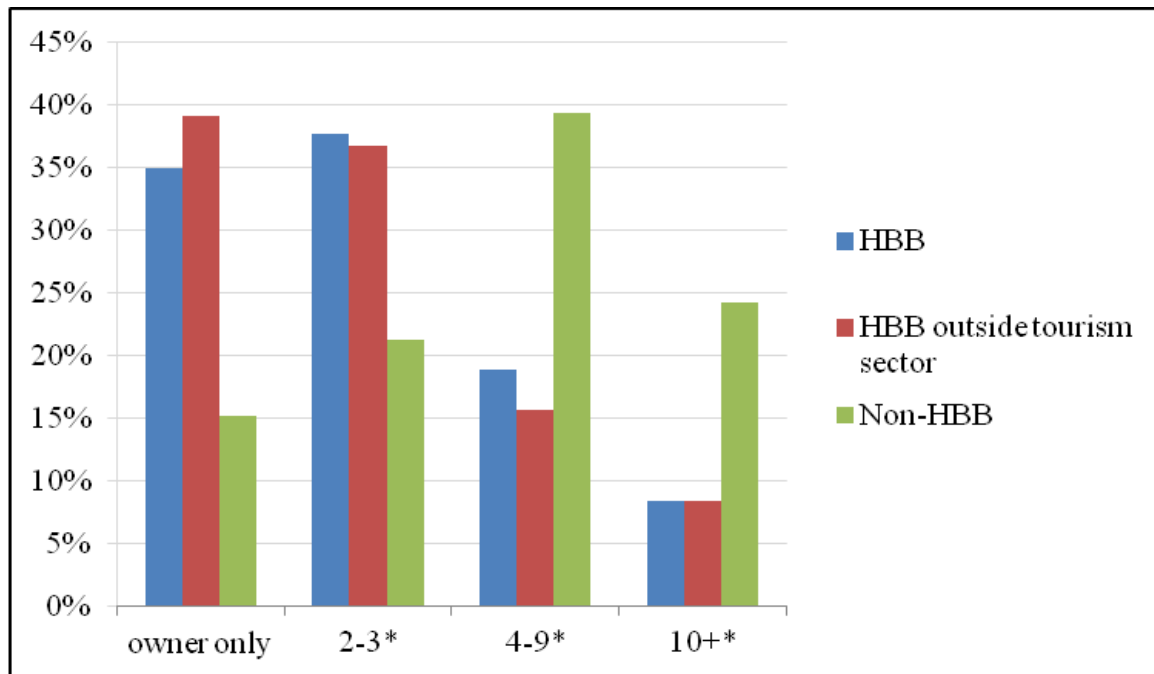
Home-based businesses are more likely to operate on a part-time basis than other businesses, with 17% working less than 30 hours a week in their business (cf. 7%) and 31% working less than 40 hours a week (cf. 21%).

This is a feature of both male and female home business owners. However, women home-based business owners are more likely than their male counterparts to work part-time in their business (22.9% cf. 13.7%). It is important not to overlook the minority of home-based business owners who work long hours in their business. The proportion working over 70 hours a week is 12% which is higher than for non-home based business owners (9%).

Home-based businesses are also, typically, very small. In terms of turnover, 73% of home-based businesses have a turnover of less than £100k. This compares with 33% for other businesses. Just over one-quarter (26%) are extremely small, with a turnover of less than £25k. But, of course, the lower costs of home-based businesses means that their minimum efficient size is also lower. Moreover, 3% of home-based businesses have a turnover in excess of £500,000 which serves to underline that a home location does not preclude significant growth.

Home-based businesses also employ fewer staff than other businesses. Figure 5 shows the employment for all home based businesses and also for non-tourism related home-based businesses compared with non-home-based businesses. Two-thirds of home-based businesses do employ at least one member of staff.

Figure 5. Employment in home-based businesses compared to non-home-based businesses



Note: *including the owner; 999 businesses.

Source: FSB member survey Scotland, 2014

The majority of home-based businesses create full-time paid employment (73% of home-based businesses, including the owner). A significant proportion creates part-time paid employment (44% of home-based businesses, including the owner) (Appendix 4). One in eight home-based businesses works with self-employed workers. However, few home-based businesses use temporary staff (7%). Some 44% of home-based businesses combine different types of employment, most often full-time employees and part-time employees (23%) and to a lesser extent full-time employees with self-employed workers (8%) and full-time employees, part-time employees and self-employed workers (6%).

Table 1. Location of staff working in home-based businesses (HBB) by type of worker

Location of work	Full-time employees		Part-time employees		Self-employed workers		Temporary workers
	all HBB with staff	outside tourism	all HBB with staff	outside tourism	all HBB with staff	outside tourism	all HBB with staff ¹
at owner's home	51%	42%	70%	61%	33%	26%	44%
at worker's home	4%	5%	12%	18%	31%	35%	6%
at client's premises	41%	52%	18%	26%	50%	58%	31%
other	15%	14%	10%	8%	12%	12%	19%
n ²	107	85	105	74	52	43	16

Note: Multiple response; percentage shares do not add up to 100%.

¹ Not displayed for home-based businesses outside tourism sector due to few observations.

² Missing values in 28% of cases.

Source: FSB member survey Scotland, 2014

Full-time employees in home-based businesses outside the tourism sector work mainly at client's premises (Table 1). This also applies to self-employed workers working/collaborating with home-based businesses. Part-time employees predominately work in the business owner's home.

The small size of home-based businesses is reflected in their legal status. They are less likely to be limited companies (34% cf. 53%) and more likely to be sole traders (44% cf. 30%) and partnerships (21% cf. 15%).

It is also important to challenge the stereotype that home-based businesses are lifestyle ventures. The reality is that 46% of home-based businesses reported increased turnover, only slightly less than the proportion of other businesses (52%). Home-based businesses were more likely to report stable turnover (28% cf. 21%) while the proportion of home-based businesses with declining turnover was virtually the same as that of non-home based businesses (26% cf. 27%). However, growth in turnover by home-based

businesses is less likely to result in increased direct employment but will manifest itself in increased indirect employment growth through outsourcing and supply chain effects.

The customer base of home-based businesses is well balanced. Just over half (51%) sell predominantly to individuals, with 40% selling to other businesses. The remainder are accounted for by the public sector (7%) and others (2%). Other businesses have a slightly stronger bias to B2C sales (56%).

The evidence also challenges a further stereotype of home-based businesses, that their markets are local. The reality is that home-based businesses are more likely than other businesses to derive most of their sales from across the UK and internationally whereas their dependence on local, regional and Scottish markets is much lower (Table 2). Indeed, 43% of home-based businesses have some overseas sales compared with 37% of other businesses, with 14% of home-based businesses deriving half or more of their sales internationally compared with 6% of other businesses. To some extent this reflects the influence of the differences in the sectoral composition of both types of businesses. Many of the customers of the tourism, etc. home-based businesses will be from the rest of the UK and beyond. In addition, the greater significance of retail businesses amongst non-home based businesses raises the local market emphasis.

Table 2. International sales (%)

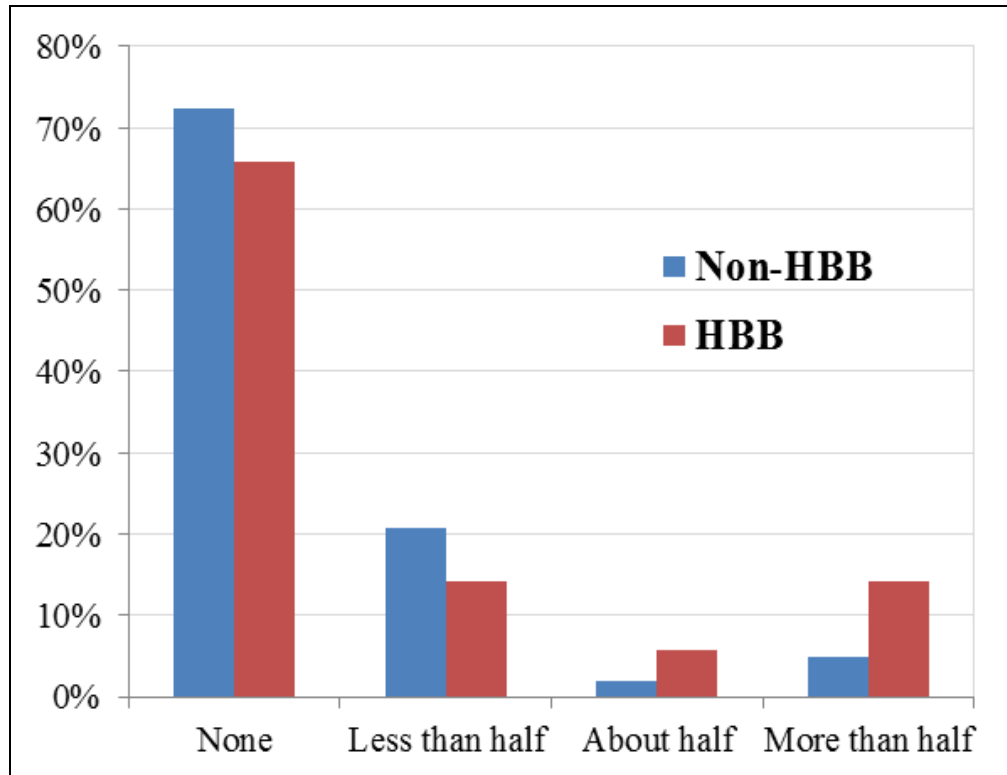
	Home-based Businesses		Non-home-based businesses	
	All	Without tourism	All	Without tourism
<i>Proportion of sales from overseas customers</i>				
More than half	5.9	3.7	3.7	4.0
About half	7.9	3.4	2.6	1.9
Less than half	29.5	21.2	30.6	28.1
None	56.7	71.4	63.1	66.0
<i>Most sales are obtained ...</i>				
Overseas	12.6	6.4	5.8	5.5
Outside Scotland but within UK	29.2	23.6	16.7	15.7
In Scotland	58.2	70.0	77.5	78.8

Note: 994 businesses.

Source: FSB member survey Scotland, 2014

Linked to this wider geographical reach of home-based businesses is their greater reliance on internet sales (Figure 6). Some 36% of home-based businesses derive sales from e-commerce compared to 28% of other businesses. Moreover, 14% of home-based businesses derive in excess of 75% of their sales from e-commerce, a significantly higher proportion than for other businesses.

Figure 6. Sales from e-commerce



Note: 994 businesses.

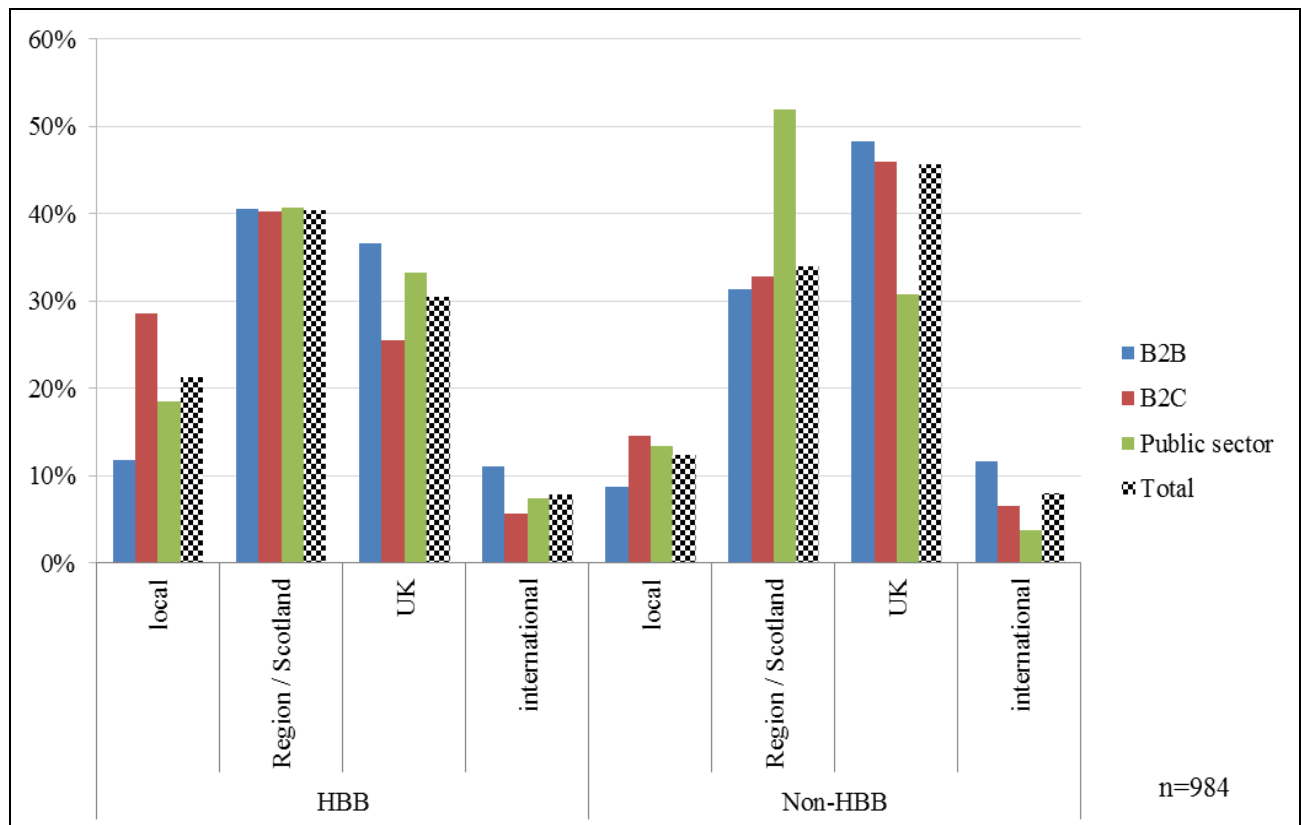
Source: FSB member survey Scotland, 2014

Just over-one third (35%) of home-based businesses have their own website (cf. 28% of other businesses). However, the use of eBay and Amazon by home-based businesses is surprisingly limited (2-3%) and lower than that of non-home-based businesses. However, there are also a significant proportion of home-based businesses (66%) that derive no sales from e-commerce (cf. 72% for other businesses).

The notion that home-based businesses are deeply embedded in their local economy is also challenged by the evidence (Figure 7). Both home-based businesses and other businesses source locally, but not predominantly so (local: 22% cf. 12%; local and region: 33% cf. 23%). The greater percentage share of local suppliers amongst home-based businesses is mainly due to

businesses that sell to individuals (B2C). Many home-based businesses source UK-wide (30% cf.46%) and internationally (8% cf. 8%), particularly when their main customers are businesses.

Figure 7. Location of majority of suppliers by type of main customers

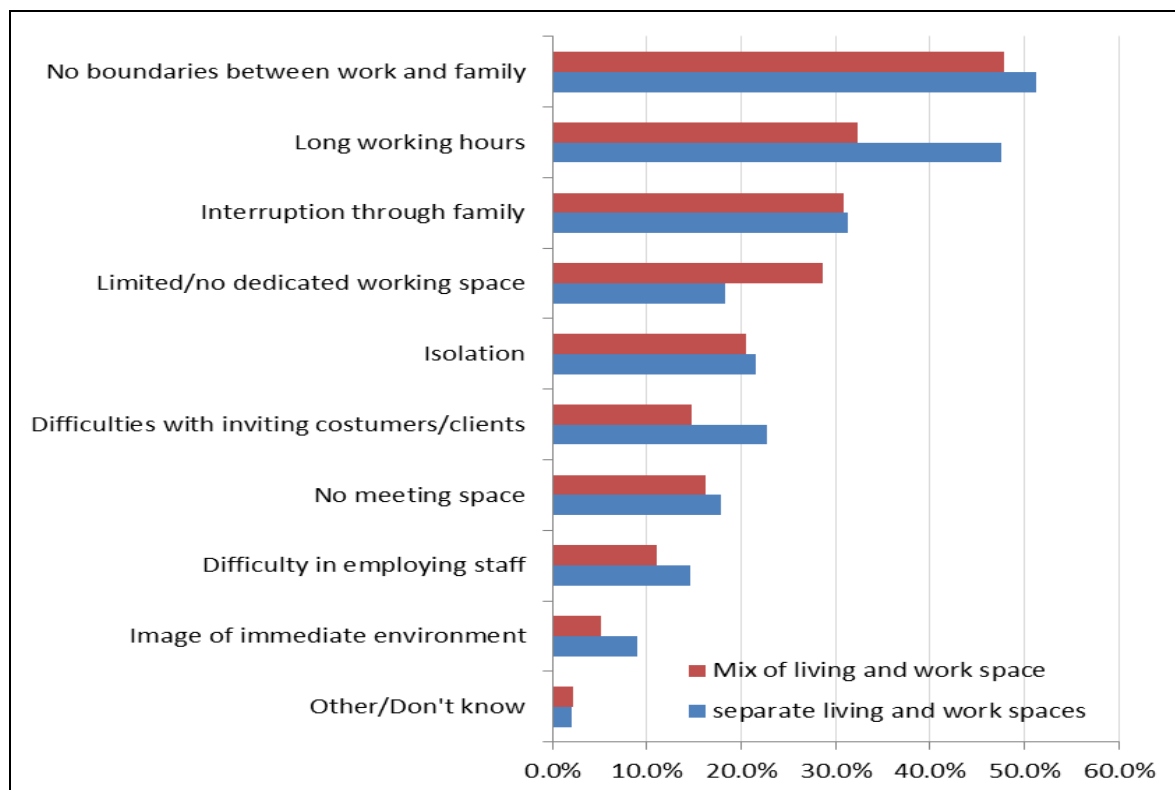


Note: B2B = Business-to-Business, B2C = Business-to-Customer
Source: FSB member survey Scotland, 2014

In 59% of cases the business is undertaken in the home – either in the home itself (39%) or an external building (20%). The remainder operate from home but conduct their activities away from the home (e.g. at the client’s premises) (35%) or are mobile (e.g. van) (5%). The relations between the home and the business are substantially different in urban areas to rural areas. Whereas in urban areas 42% of home-based businesses operate mainly away from the home, this percentage share is significantly lower in rural areas (30%).

Of those businesses that operate in the home, 40% report that they have a room that they use exclusively for their business, another 18% use attached external premises, and 4% use an extension. However, 30% of home-based businesses use space that is also used for domestic purposes. These businesses report greater problems with limited/no dedicated working space. However, this does not translate in greater use of informal or formal spaces outside the home. Moreover, they are not more likely to report greater business-family tensions (Figure 8).

Figure 8. Use of space in the home and greatest disadvantage of running business from home



Note: 386 businesses.

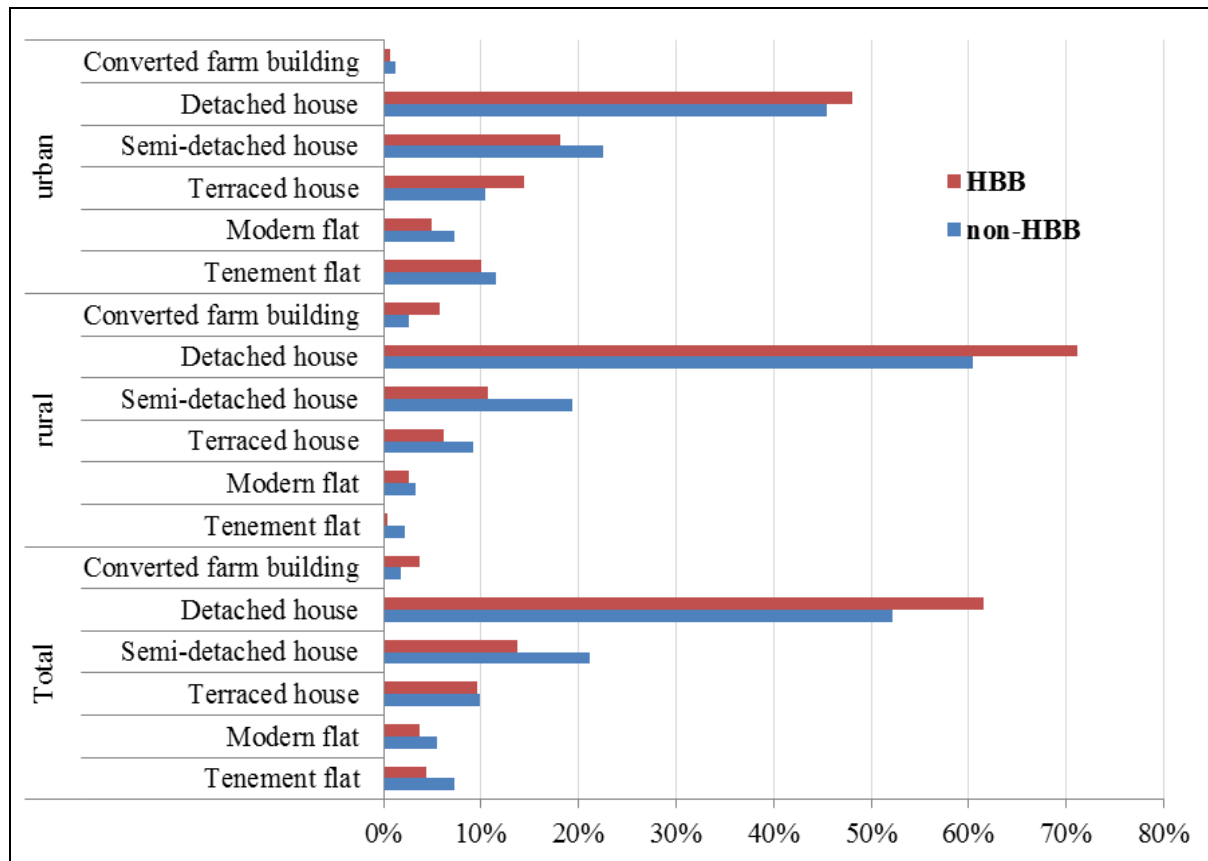
Source: FSB member survey Scotland, 2014

The vast majority of home-based business owners were owner-occupiers (89%), with only eight per cent in rented property (mostly private rented).

This applies to home-based businesses in both urban and rural areas. Owners of other types of businesses have an almost identical pattern of housing tenure, with the only difference being that home-based business owners were more likely to have paid off mortgages (42% cf. 37%). The low proportion of home-based businesses in rented accommodation – whether private or social – is striking and may reflect the negative attitudes of landlords to such activity.

However, there are sharp differences in housing type (Figure 9). Home-based businesses are typically located in detached (62%) and semi-detached (14%) houses. Relatively few are in either tenement flats or modern flats. Owners of other businesses are more likely to live in tenement and modern flats, and semi-detached houses and less likely to live in detached houses. Home-based business owners are also slightly more likely to be living in a converted farm building (4% cf. 2%) and other accommodation (3% cf. 2%). These differences between home-based businesses and non-home-based businesses in terms of house type arise because rural home-based businesses are more likely than rural non-home-based businesses to be located in detached houses. There are no significant differences in house type between home-based businesses and non-home-based businesses in urban areas.

Figure 9. House type of owners of home-based businesses and non-home-based businesses by urban and rural area



Note: The category 'other accommodation' is not shown; the percentages do not add up to 100.

Source: FSB member survey Scotland, 2014

Home ownership is an important means of accessing finance. A minority of businesses – 20% of home-based business owners and 28% of other business owners – have used their home as a means of financing their business. Businesses that grew out of the home have a slightly higher percentage share (32%) suggesting that housing finance may have helped them to finance the move into premises. The home was mainly used as security for a loan (76% of home-based business owners who used their home as a source of finance, 75% of other business owners) but in a minority of cases some equity was released (19% cf. 26%). Moving to a less expensive home was used by only



7% business owners as a means of raising finance.

Indeed, the vast majority of businesses, that is 84% of home-based businesses and 78% of other businesses, have not raised any finance in the past two years. For both categories, the amounts raised range from under £5,000 to over £250,000.

The main sources of finance used by home-based business owners were bank overdraft (28%), unsecured bank loan (28%), secured bank loan (20%) and own savings/inheritance (21%). The main sources of external funding for other businesses were also bank overdraft and loans – but unsecured loans were less significant, while friends and family and personal credit card were more significant. It is also of note that four per cent of non-home-based businesses raised external finance from public sector (grants and loans), whereas no home-based businesses used this source. This raises the question whether home-based businesses are eligible for various forms of public sector support.

Home Based Business Owners

There are numerous stereotypes of home-based business owners. The most common are based around gender, in particular women with dependent children who run a home-based business as a means of juggling family and childcare with work ('mumpreneurs')¹³, and age ('third age' entrepreneurs). This survey finds some evidence that supports the relevance of 'mumpreneur' home-based businesses, although the home-based business sector does not attract more women (with or without children). No evidence is found to support the 'third age' stereotype.

In terms of gender, the majority of home-based business owners were male (66%) and the gender split between male and female business owners was almost identical for home-based businesses and other businesses (males accounted for 67% of other businesses). Home-based business owners are more likely than owners of other businesses to have no children (18 and below) living at home (74% cf. 69%).

Moreover, amongst home-based business owners there was very little difference between males and females in terms of children living at home (male vs. female with no children at home: 75% cf. 72%). The proportion of women business owners who had children 18 and under is almost identical for both home-based business owners and others (28% cf. 29%). But women home-based business owners had more children than women owners of other businesses (mean of 1.92 cf. 1.75). There are also gender differences in household composition in home-based businesses located in urban and rural

¹³ Ekinsmyth, C. (2013) Managing the business of everyday life: the roles of space and place in "mumpreneurship". *International Journal of Entrepreneurial Behaviour & Research* 19:525-546.

locations, with women home-based business owners in urban locations more likely to have dependent children (31% cf. 26% of women home-based business owners in rural areas).

In terms of age, home-based business owners have a slightly older age profile than other business owners, with the majority in the 41-55 (39%) and 56-64 (37%) age groups (45% and 29% respectively amongst non-home-based business owners). However, contrary to the 'third age' entrepreneur picture of home-based business owners, only 16% were beyond the conventional retirement age (65), little different to that of other business owners (16% cf. 15%).

Moreover, the proportion of home-business owners declaring themselves to be disabled or having a long-term health condition was only slightly higher than for other business owners (14% cf. 13%). However, the proportion of home-based business owners with a disability/long-term health condition is higher in urban areas (18% compared with 12% amongst other business owners).

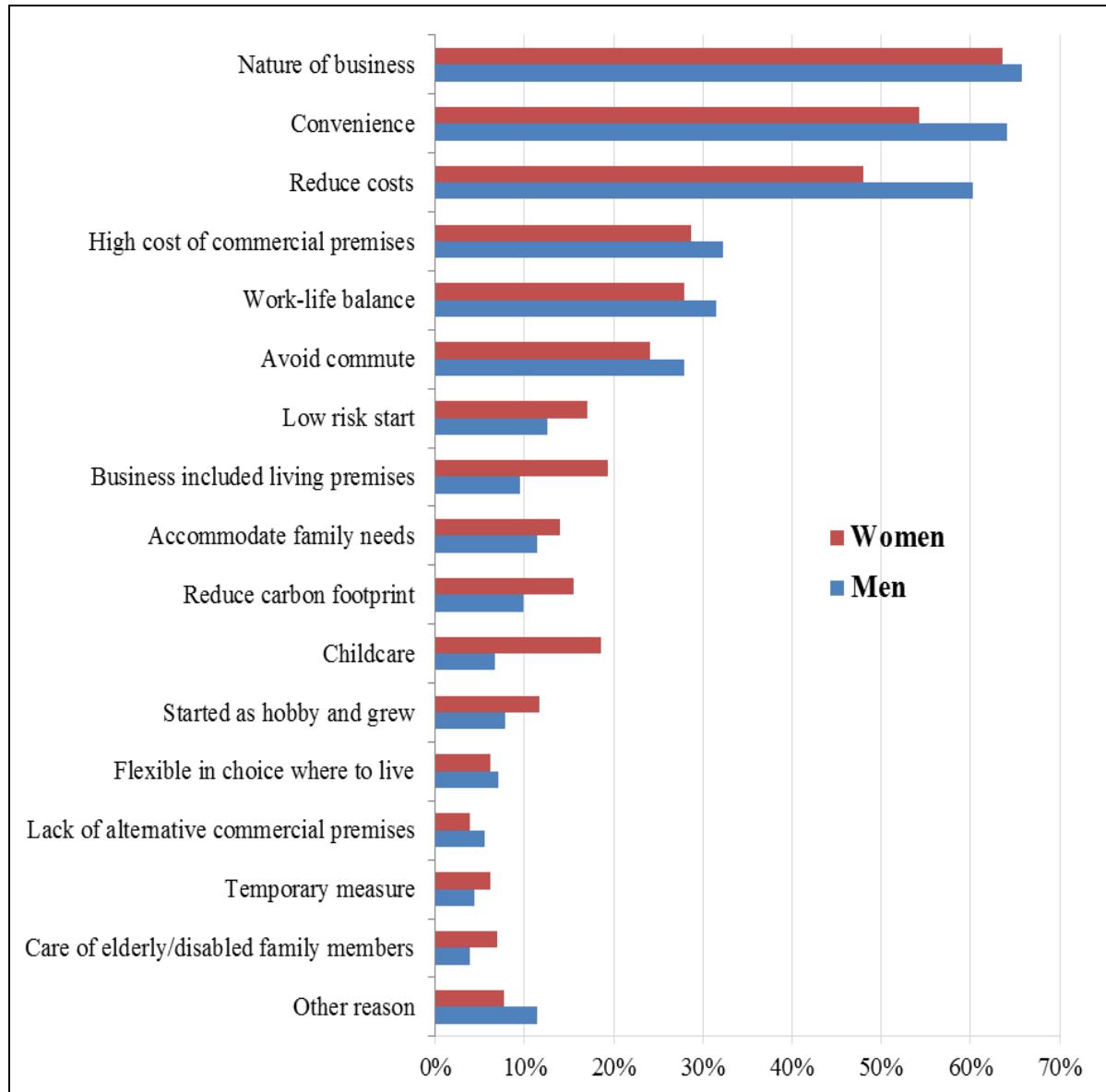
In only one-third of cases did the business provide the only source of household income. This reinforces the part-time nature of a significant minority of such business noted earlier. This proportion is lower than for non-home-based businesses, but even here the businesses represented the only source of household income for only 44% of owners. Even amongst full-time businesses, the majority generates household income from other sources – regardless of whether they are home-based businesses or not (61% of full-time home-based businesses and 53% of full-time other businesses). Moreover, there is no difference between males and females in the proportion of home-based businesses that provided the only source of household income



(34%). It is therefore clear that regardless of whether the business operates on a part-time or full-time basis, the majority of small business households have a portfolio of income sources.

For home-based business owners, the other sources of household income are the partner's paid employment (46%), the respondent's pension (35%), another household business (20%), income from property (17%) and respondent's paid employment (15%). For owners of non-home-based businesses the ranking was similar, but respondent's pension was less significant (27%) and partner's paid employment was more important (55%). Rankings are similar for both male and female home-based business owners.

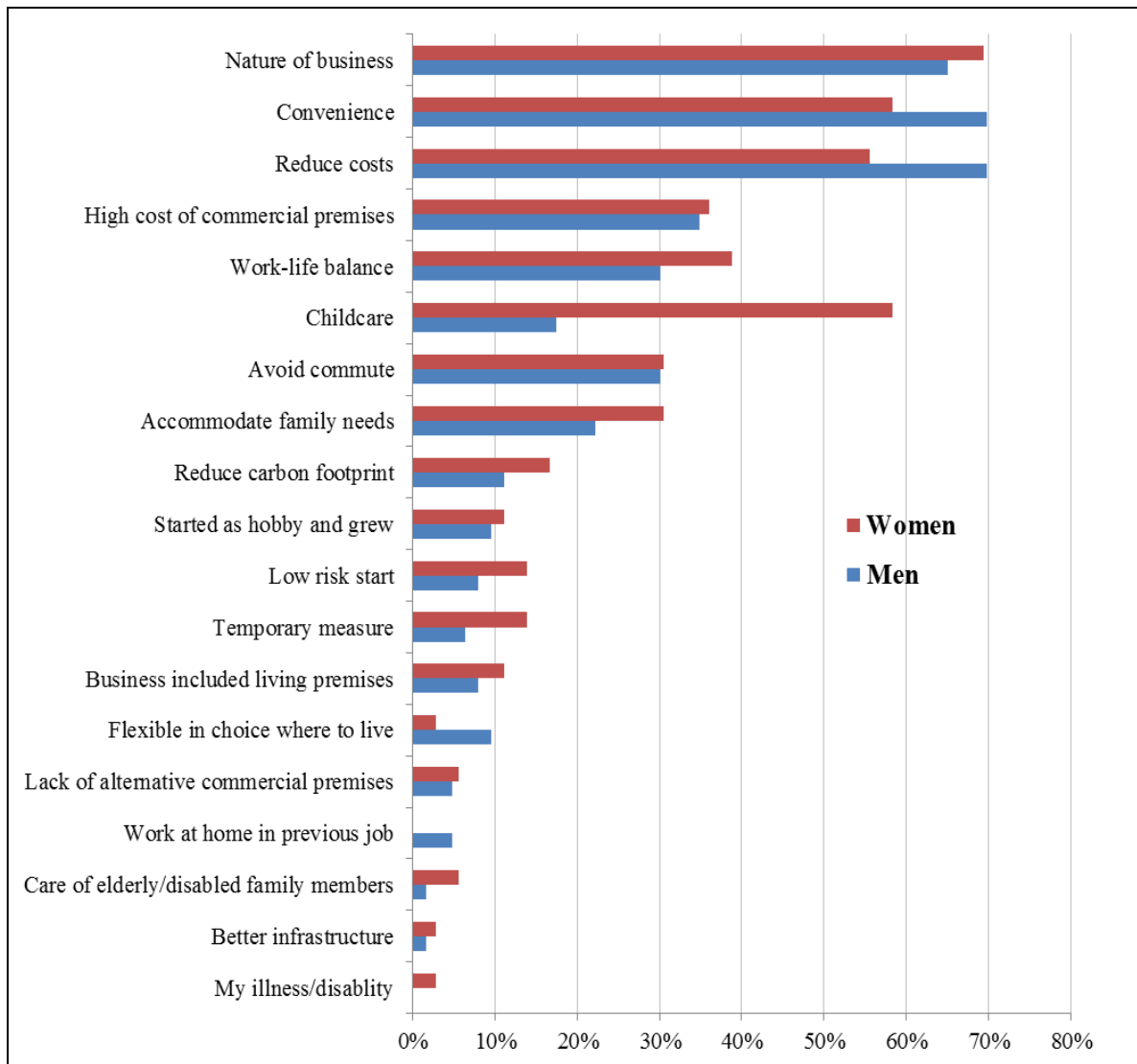
Figure 10. Reasons for running the business from home by gender – all business owners



Note: Percentages are based on respondents; n=387 businesses.

Source: FSB member survey Scotland, 2014

Figure 11. Reasons for running the business from home by gender – business owners with dependent children



Note: Percentages are based on respondents; n=99 businesses.

Source: FSB member survey Scotland, 2014

The reasons for running a business from home were gathered using 19 items plus an open category. Over 1,400 reasons were given, an average of over 3.6 reasons per respondent, suggesting that the decision to operate a home-based business is based on several considerations. The most frequently cited reasons were the nature of the business (65%), convenience (61%) and to

reduce costs (56%). Secondary reasons were the high cost of commercial premises (31%), work-life balance (31%) and to avoid commuting (27%). Only nine per cent of cases started the business as hobby and grew suggesting that the vast majority of home-based businesses are not hobby or lifestyle businesses (Figure 10).

Motivations for male and female home-based business owners were generally similar. However, childcare considerations were cited more frequently by women than by men (19% cf. 7%) supporting the existence of mumpreneurs. Further, looking only at those business owners with dependent children shows very clearly that women significantly more often than men have a home-based business because it allows them to combine work and childcare (Figure 11). In fact, for women with dependent children in the household, childcare is the second most often reported reason for running the business from home while it only ranks eighth amongst their male counterparts. Women also scored slightly higher on care of elderly relatives (7% cf. 4%).

Comparison of home-based businesses in urban and rural areas indicates that reducing costs, convenience and the nature of the business are the predominant reasons for running the business from home in both locations. However, reducing costs and work-life balance are of greater importance amongst urban home-based businesses (61% vs. 53%, 35% vs. 28%). In rural areas, the business is more often run from home because the business started as a hobby and grew (11% vs. 6%) and also because the business is part of the living premises (16% vs. 8%). Women home-based business owners in urban areas mentioned the nature of the business and convenience more frequently than their counterparts in rural areas (71% vs. 57%, 61% vs. 49%). A low risk start is mentioned more often by women in rural areas than urban areas (22% vs. 12%). Men running a business from home in rural

areas are more likely to do so in order to avoid a commute (31%) compared with 24% of those in an urban area.

For the largest group of home-based businesses no pattern in their motivation for running the business could be identified. However, three sub-groups of home-based businesses distinct motivations and characteristics are empirically relevant: family type, disability/care type and temporary/no alternative type.¹⁴

The first distinct group of business owners runs their business from home mainly for family-related reasons (accommodate family needs / childcare). This type is also more often associated with hobby-driven businesses (even though their overall significance is minor). These businesses are significantly more often run by women, 41-55-year-olds and people with dependent children. Two-thirds work in the home while only a small proportion is mobile and works, for example, at client's premises. This group therefore fits well with the 'mumpreneur' business type. Creative services are well overrepresented in this group, and e-commerce is more important than for other home-based businesses. A higher proportion of these businesses than home-based businesses on average have increased their turnover in the last two years.

The second distinct group runs the business from home because of a personal illness/disability or care of an elderly/disabled person. These businesses are

¹⁴ These were identified using a two-step approach. First, the set of reasons for running a business from home (20 items) were reduced to seven components/hidden factors using a Principal Component Analysis (Appendix 5). These factors were used in a subsequent Hierarchical Cluster Analysis to identify groups with similar motivation sets (Appendix 6). Significant characteristics of these groups were then identified by comparing them with other home-based businesses.

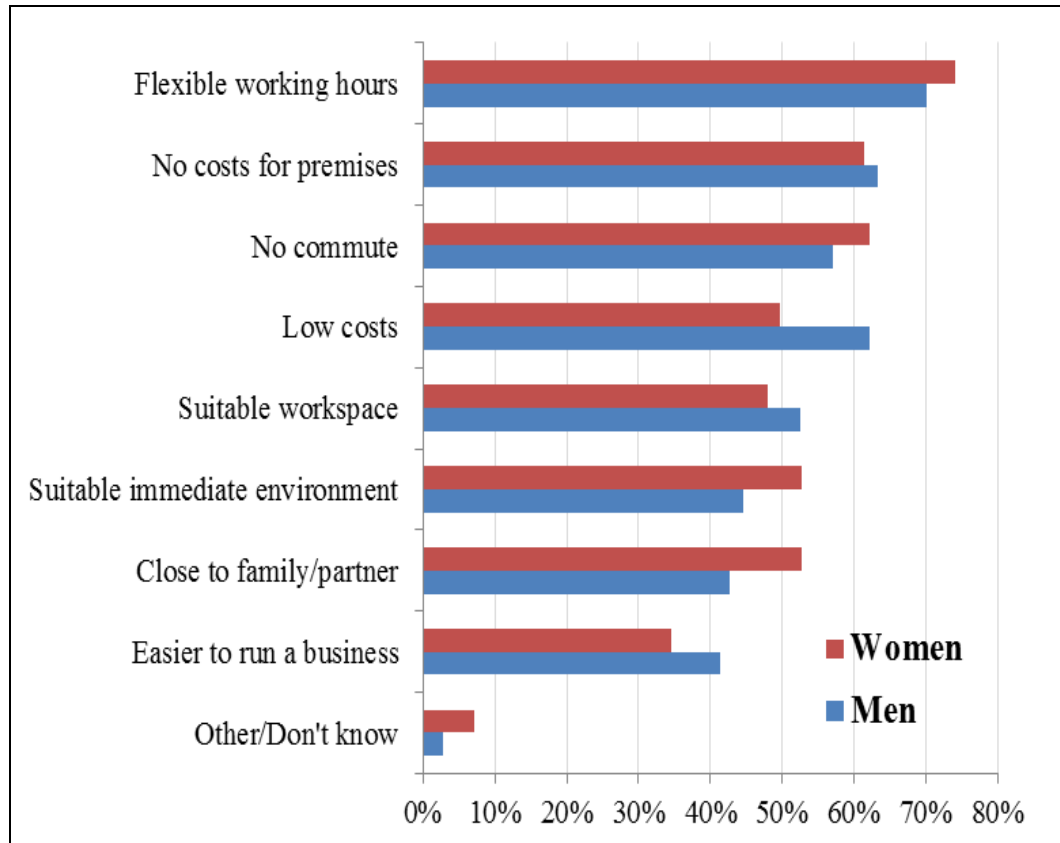
'smaller' than the average home-based business in terms of turnover and staff, the local embeddedness in terms of location of suppliers and geography of sales is low, the business is almost always set up in the existing home and run as sole proprietorship or limited company (none in partnership), often in part-time, and located predominantly in urban areas.

The third distinct group runs the business from home on a temporary basis only for reasons such as a lack of alternative business premises. Businesses in this group are therefore most likely to move out of the home in the near future. The businesses as well as the business owners are significantly younger than other home-based businesses and their owners respectively. They tend to be located more often than other home-based businesses in rural areas – large and small towns – but they operate less often than other home-based businesses in the tourism sector.

The major advantages that arise from running a business from home (Figure 12), cited by more than half of respondents, are flexible working hours (71%), no premises costs (63%), no commute (59%), low costs (58%) and suitable workspace (51%).

Cost saving aspects of running a business from home are more often seen as an advantage in urban areas. Men in rural areas more often report as an advantage being close to family/partner. This reflects the alternative source of income as being a long commute to a 'paid job'. For women in urban areas low costs and flexible working hours are of greater value than their counterparts in rural areas (62% vs. 38% and 80% and 68% respectively).

Figure 12. Major advantages in running the business from home



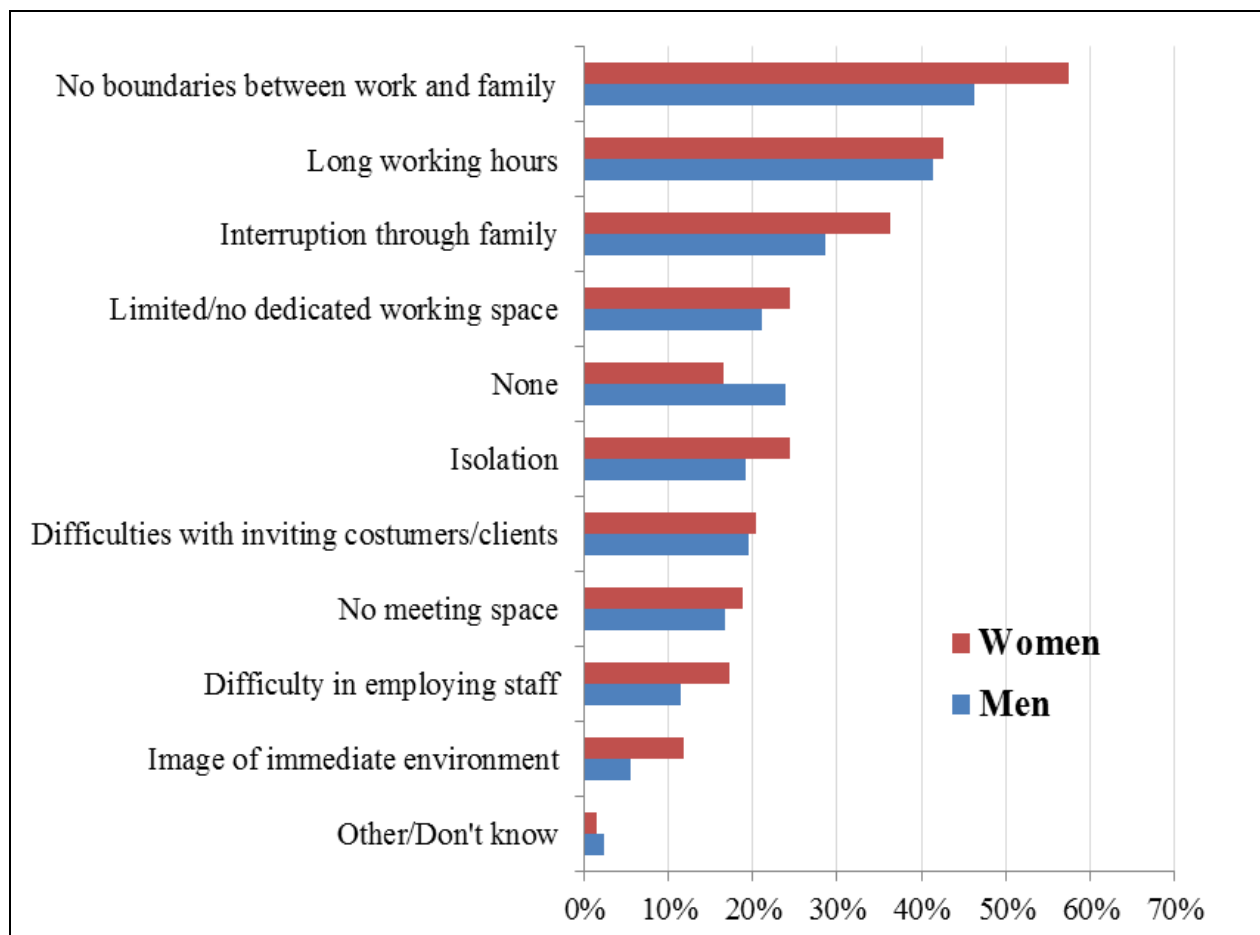
Note: Percentages are based on respondents; n=382 businesses.
Source: FSB member survey Scotland, 2014

There are also a variety of disadvantages of running a business from home (Figure 13). However, no single disadvantage dominates. Indeed, the biggest disadvantage is the lack of boundaries between work and family. However, this was only cited by half of respondents, and more by women than men (57% cf. 46%). Other disadvantages were long working hours (42%), interruptions from family (31%), lack of dedicated working space (22%), isolation (21%) and difficulties in inviting customers and clients (20%).

The identified 'family' type of home-based businesses (Group 1, above) most often reports the lack of boundaries between family and the business and interruption from family as disadvantages. There are also differences in the

perception of disadvantages between urban and rural home-based businesses. Both men and women more often see the blurring of boundaries between the business and the home as a problem when they live in rural areas. Reasons are likely to relate to the use of space in the house and running the business in partnership. In urban areas, women more often report the lack of meeting space as a problem while the image of the immediate environment is a problem particularly seen by women home-based businesses in rural areas.

Figure 13. Major disadvantages in running the business from home



Note: Percentages are based on respondents; n=382.

Source: FSB member survey Scotland, 2014

Despite these limitations, fewer than half of home-based business owners make use of informal non-home work space (e.g. coffee shops, hotel lobbies) for business purposes. For those who do, the main reasons were to meet customers, clients, etc. (42%), collaboration (21%) and networking (21%). Women gave greater emphasis to networking (47% cf. 40%) and less emphasis to meetings (76% cf. 87%).

Even fewer home-based business owners (19%) use formal flexible workspace such as work hubs and business centres. In only around half of these cases this was because they are not available in the area where the respondent lives. For those who do use such space by far the dominant reason is meeting people (81%), with less frequent reasons being networking (43%) and co-working (24%). The disability- and care type (Group 2, above) makes virtually no use of this type of workspace even though they are more likely to report lack of meeting space and isolation as disadvantages.

In rural areas there was little interest in using such space even it was available close by. Here the majority would not use such space if it was available (59%). An exception is the identified 'temporary' home-based business group (Group 3, above) which is mostly located in rural areas. For them this workspace is most often not available but they are (very) likely to use it if it were available. There is greater interest/demand for formal workspace in urban areas. Here the vast majority (90%) would possibly/very likely use such space if it was available close-by.

Neighbourhood Spillover Effects

One of the reservations that policy-makers might have in encouraging the establishment of home-based businesses is the potential adverse impact on neighbours. This survey challenges this fear.

First, 84% of respondents said that their neighbours knew that they ran a business from their home. This is a surprisingly high figure which may reflect a combination of the high proportions of rural and tourist-related home-based businesses. Nevertheless, with the exception of city centre home-based businesses, of which there are few, in all types of locations respondents indicate that at least 75% of their neighbours know that they run a business from their home, rising to over 90% in villages and rural/remote areas.

Second, operating a home-based business has rarely created issues with their neighbours (4% of respondents). In some cases, this can be attributed to the lack of 'immediate' neighbours in rural areas. Some even mentioned positive attitudes of neighbours towards their home-based businesses as neighbours feel safer knowing that someone is around during the day.

Government

Government in its various forms has potential impacts on home-based businesses in two respects. The first is the impact of regulations. Here the impact has been relatively limited. Just 16% of home-based businesses had to seek planning permission. The numbers were equally balanced between those reporting this to have been a very/quite easy process, neither easy/nor difficult and quite/very difficult. Only a small proportion of home-based businesses (9%) pay business rates on part of their home. However, a minority of home-based businesses (13%) were unsure about whether specific business and planning regulations affect them. This uncertainty has also been identified in other studies of home-based businesses and is attributed at least in part to the inability of government departments to provide clear and unambiguous advice.

The second impact is in terms of general government support for the small business sector. Just under three-quarters of home-based business owners offered their opinions on what help government could, or should, provide. Three issues were identified. The first was the need for a better broadband service. This was the single most frequent comment. Access to superfast broadband is a widely held concern of the UK's small business sector.¹⁵ Second, there were numerous comments under the general heading of finance which, if taken together, were more frequent than the number of comments about broadband. Business owners cited the need for reduced business rates, lower personal taxes and higher thresholds, reduced VAT and

¹⁵ *Financial Times* (2014) Nearly half of UK's small businesses lack access to superfast broadband, 8 December. <http://www.ft.com/cms/s/0/c3ab016a-7eed-11e4-a828-00144feabdc0.html?siteedition=uk#axzz3Moh8GyKA>



higher thresholds, and grants. There were also several calls to make it easier to borrow money from the banks. Third, there were various comments relating to council red tape and the lack of advice on planning, legal regulations training support and other aspects of running a home-based business.

Recommendations

This report has clearly demonstrated the economic significance of home-based businesses to the Scottish economy. They are especially important in rural areas where home-based businesses are deeply entwined with the tourism sector. However, home-based businesses are also important in urban areas. Their importance arises for two reasons. First, a majority of businesses are based in the home. The Scottish Government estimates that 56% of businesses in Scotland are home-based. This corresponds to 187,640 businesses.¹⁶ And second, the home is a significant business incubator: the majority of businesses that operate from commercial premises started in their founder's home, moving out when the business concept was proven or when they began to grow. Moreover, trends in both the number of home-based businesses, and the proportion of businesses based in the home is upward. The growth of the so-called 'sharing economy' will provide a further boost to the numbers of home-based businesses.¹⁷

Yet, home-based businesses appear to be largely ignored by both local government and the Scottish government. This may reflect the various myths and stereotypes surrounding home-based businesses which suggest that they are lifestyle businesses largely run by women and retirees. Here again, this report suggests that many of these stereotypes are simply inaccurate. Clearly, home-based businesses are diverse with distinct sub-groups having distinct needs. It is therefore important not to adopt a 'one size fits all' approach. This report identified three sub-groups based on the motivation for

¹⁶ This estimate is based on the Businesses in Scotland 2012 & Small Business Survey 2012. The data were provided on request.

¹⁷ *Financial Times* (2014) The sharing economy must share the risks, 17 December.

<http://www.ft.com/cms/s/2/d3bd6750-848d-11e4-bae9-00144feabdc0.html#axzz3Moh8GyKA>



running the business from home: family-type, disability- and care-related type and temporary/no alternative type. While the first type has gained attention, the latter two groups have been clearly neglected in the previous discussion about small businesses.

The vast majority of home-based businesses are serious commercial ventures, a significant proportion report increasing turnover and many sell across the UK and internationally. **So, the first recommendation is for policy-makers to take home-based businesses seriously.** The objective of raising Scotland's level of entrepreneurial activity to match the best in the world cannot be achieved without a large and vibrant home-based business sector. There must be no unnecessary impediments to starting, running and growing a business from home. One way in which government can take home-based businesses seriously, as well to enhancing its understanding of such businesses, is to improve the quality and quantity of data on the sector.

Specifically we noted that no home-based business has accessed public sector grants and loans. This raises the question of whether the eligibility rules of public sector schemes exclude home-based businesses.¹⁸ If this is the case then given the economic significance of home-based businesses it is contrary to the objective of promoting a strong enterprise economy. **We therefore recommend further research investigates the eligibility of home-based business for business support with a view to ensuring that home-based businesses have the same access as any other business to public sector business support.**

¹⁸ For example, one home based business owner commented at Enterprise Nation's Home Based Summit on 15 August 2014 that home based businesses could not take on apprentices.



In many respects the support needs of home-based businesses are no different to those of small businesses that operate from commercial premises. Prominent amongst their concerns are better broadband, reduced tax and greater access to finance. However, a specific concern of home-based businesses is the ambiguity concerning legislation, particularly planning regulations and liability for business rates, some of which arises from the lack of clarity provided by government officials. **A further recommendation is therefore that the Scottish Government mirrors the measures announced by the UK government in August 2014, namely that as long as the premises is primarily residential planning permission will not be required to run a business from home and business rates are not applicable.**

The growth in home-based business, and more generally in home-based working, has blurred the 'domestic' and the 'non-domestic'. This has created uncertainty for home-based businesses concerning the regulations that apply to home-based businesses. **We therefore further recommend that each local authority in Scotland produces a guide to running your business from home** that details the local and national rules and regulations that apply to home-based businesses, practical advice from existing home-based business owners and information on sources of advice and networking.¹⁹ Much of the content can be common to all local authorities and could therefore be coordinated centrally. **In addition, the Scottish Government and regulators, as a matter of priority, should consider how legislation adapts to changes in business practice,** such as lack of

¹⁹ A good example is the Home Business Guide produced by the City of Ottawa, Canada.
<http://ottawa.ca/en/business/tools-and-resource-services/publications/ottawa-home-based-business-guide>



business premises and the sharing economy.

The low proportion of home-based businesses that operate from rented accommodation is striking. This may reflect socio-economic differences in entrepreneurial activity. However, it might also suggest that a significant proportion of the population access to enterprise through home-based business may be prevented on account of housing tenure. This issue needs further investigation to explore whether the rental agreements of both private and social landlords prevents businesses being operated from their properties.

We recommend that standard tenancy agreements for both private and social housing are revised to allow home-based businesses.

Finally, the study noted that there is a latent demand for work hubs and similar types of temporary space amongst some home-based businesses in urban areas. **We therefore recommend that local authorities in urban areas should work with other public bodies and providers to ensure an increase the supporting infrastructure for home-based businesses in the form of serviced offices, co-working space and maker space to provide them with space and equipment that is unavailable in the home and to facilitate collaborative working.**

Appendices

Appendix 1. Number of businesses in the private sector and their associated employment and turnover, by number of employees and industry section in Scotland, start 2014

	Businesses	Number		Percent		
		Employment thousands	Turnover ^{1,3} £ millions	Businesses	Employment	Turnover ^{1,3}
All businesses	322,555	1,702	205,539	100.0	100.0	100.0
With no employees (unregistered) ²	166,220	188	5,293	51.5	11.0	2.6
With no employees (registered) ²	62,660	71	7,686	19.4	4.2	3.7
1-9	76,315	298	26,095	23.7	17.5	12.7
10-49	14,515	281	28,959	8.7	16.5	14.1
50-249	2,355	231	32,092	3.8	13.6	15.6

1. "All Industries" turnover figures exclude SIC 2007 Section K (financial and insurance activities) where turnover is not available on a comparable basis.

2. Businesses with no employees can either be 'registered' for either VAT and/or PAYE or are 'unregistered' (because they operate in a VAT

3. BIS impute the turnover of unregistered businesses based on the turnover for zero-employee VAT/PAYE registered businesses at industrial

Source: BIS, Business Population Estimates for the UK and Regions 2014, amended

Appendix 2. Home-based businesses in Scotland, estimates 2012

Business Size	Proportion where main work premises is home	Number of businesses where main work premises is home	Number of businesses where main work premises is <u>not</u> home
Micro Businesses	58%	185,820	135,110
<i>of which With No Employees</i>	69%	166,000	73,080
<i>of which Micro Employers (1-9 Employees)</i>	24%	19,820	62,030
Small Employers (10-49 Employees)	12%	1,700	12,840
Medium Employers (50-249 Employees)	3%	120	3,515
All	56%	187,640	151,465

Sources: Scottish Government, Businesses in Scotland 2012 & Small Business Survey 2012: Base (un-weighted): Micro n=499 (With No Employees n=167, Micro Employers n = 332), Small Employers n=335, Medium Employers n=168, All n=1,002

Appendix 3. Contribution of home-based businesses to the Scottish Economy, estimates

	Employment ('000)	Turnover (mill.)
All businesses	1,702	205,539
home-based businesses		
no employees	179	8,956
1-9	72	6,263
10-49	34	3,475
50-249	7	963
total	291	19,656
%	17.1%	9.6%

Source: own estimate using home-based business estimate by the Scottish Government (2012) and BIS Business Population Estimates for Scotland 2014

Appendix 4. Employment in home-based businesses and non-home-based businesses by type of worker (%)

Number of staff	Full-time employees		Part-time employees		Self-employed workers		Temporary workers	
	HBB	Non-HBB	HBB	Non-HBB	HBB	Non-HBB	HBB	Non-HBB
none	27.2	10.0	55.9	38.7	69.4	71.1	92.6	95.2
1	38.7	23.6	27.0	22.7	18.0	14.3	5.6	2.5
2-3	24.5	26.5	11.0	25.2	8.3	8.5	1.5	0.8
4-9	7.3	25.6	4.6	8.6	1.6	4.2	0.0	1.2
10+	2.4	14.3	1.5	4.8	2.7	1.9	0.3	0.3
n	372	589	392	607	372	589	392	607

Note: including the owner, HBB = home-based businesses, Non-HBB = other businesses
Source: FSB member survey Scotland, 2014

Appendix 5. Factors driving businesses from home

	Identified components/factors						
	1	2	3	4	5	6	7
Reduce carbon footprint	.692	-.007	.032	.077	-.116	-.025	-.016
Work-life balance	.674	-.001	-.059	.237	.216	-.026	.024
Avoid commute	.552	.221	.085	.162	.349	.112	-.081
Convenience	.493	.473	.014	-.006	.192	.119	.110
Reduce costs	.469	.553	.132	-.102	.007	.081	.143
Better infrastructure	.352	.148	-.253	-.033	-.465	-.160	-.089
High cost of commercial premises	.339	.391	.490	.021	-.086	.078	.073
Low risk start	.315	.085	.291	-.013	-.211	-.076	.578
Accommodate family needs	.178	.016	-.039	.752	.018	.187	.109
Flexible in choice where to live	.149	.095	-.060	.013	.668	-.005	-.056
Childcare	.097	.083	.042	.816	-.011	-.097	-.015
My illness/disability	.057	-.137	-.116	-.057	.040	.744	.232
Work at home in previous job	.056	.037	-.086	-.025	.561	-.128	.009
Temporary measure	.024	-.020	.668	.021	-.127	-.116	.103
Nature of business	.003	.712	-.301	.112	-.051	-.104	-.025
Business included living premises	-.003	-.761	-.147	-.065	-.122	.010	-.053
Care of elderly/disabled family members	-.019	.145	.043	.150	-.174	.693	-.254
Lack of alternative commercial premises	-.054	-.027	.716	-.019	.067	.021	-.111
Started as hobby and grew	-.135	.085	-.108	.101	.075	.058	.804

Note: Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. N=387 businesses.

Source: FSB member survey Scotland, 2014

Appendix 6. Classification of home-based businesses

Clusters	Components/Factors	Mean	Std. Deviation
1	Worklife - Factor 1	0.113	1.101
	Business - Factor 2	0.262	0.615
	Temporary - Factor 3	-0.140	0.617
	Family - Factor 4	1.460	1.277
	Residence - Factor 5	0.128	0.753
	Disability/care - Factor 6	-0.227	0.535
	Hobby - Factor 7	0.851	1.465
	n	70	
2	Worklife - Factor 1	-0.027	1.145
	Business - Factor 2	0.162	1.196
	Temporary - Factor 3	-0.071	0.899
	Family - Factor 4	0.151	1.184
	Residence - Factor 5	-0.248	0.813
	Disability/care - Factor 6	3.178	1.089
	Hobby - Factor 7	-0.247	1.523
	n	28	
3	Worklife - Factor 1	-0.127	0.977
	Business - Factor 2	-0.140	0.748
	Temporary - Factor 3	2.850	0.966
	Family - Factor 4	-0.261	0.569
	Residence - Factor 5	-0.068	0.807
	Disability/care - Factor 6	-0.287	0.441
	Hobby - Factor 7	0.165	1.208
	n	29	
4	Worklife - Factor 1	-0.013	0.960
	Business - Factor 2	-0.072	1.073
	Temporary - Factor 3	-0.272	0.463
	Family - Factor 4	-0.380	0.379
	Residence - Factor 5	0.000	1.090
	Disability/care - Factor 6	-0.249	0.304
	Hobby - Factor 7	-0.221	0.514
	n	260	

Note: Hierarchical Cluster Analysis, Cluster method: Ward; n=387 businesses.

Source: FSB member survey Scotland, 2014

The FSB is Scotland's largest direct-membership business organisation. It campaigns for a better social, political and economic environment in which to live, work and do business.

With a strong grassroots structure and dedicated Scottish staff team, the FSB makes its members' voices heard at the heart of the decision-making process.

The FSB also provides a suite of services to help its members reduce the cost and risk of doing good business – from legal and tax protection to business banking.

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