



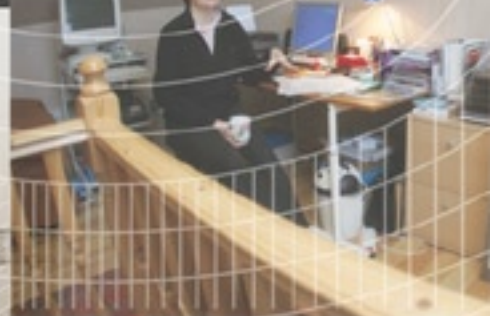
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Tackling rural disadvantage

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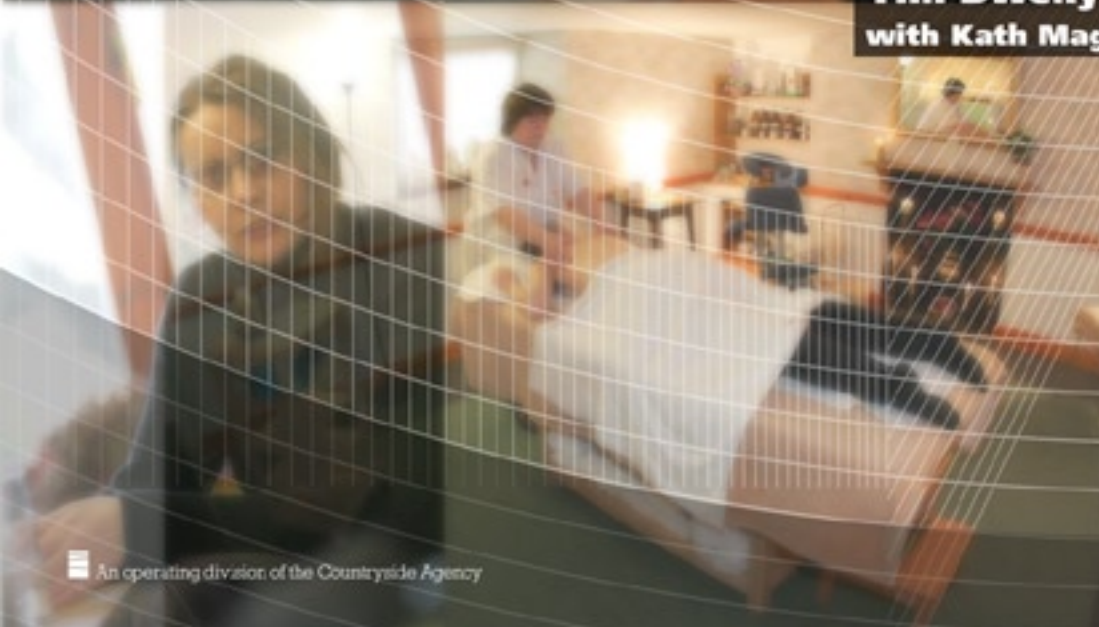


UNDER THE RADAR

TRACKING AND SUPPORTING RURAL HOME BASED BUSINESSES



Tim Dwelly
with Kath Maguire and Frances Truscott



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WRITTEN BY TIM DWELLY
WITH KATH MAGUIRE AND FRANCES TRUSCOTT

DESIGN NICK HARPLEY/SATZOOMA
PHOTOS STEVE TANNER/LEPHOTO
PRINT CENTURY LITHO, PENRYN, CORNWALL
PUBLISHED BY LIVE WORK NETWORK
WWW.LIVEWORKNET.COM

JULY 2005

SUPPORTED BY



 An operating division of the Countryside Agency

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ADDITIONAL INFORMATION

For additional case studies, statistics and sources, see the full version of this report and background material on the Commission for Rural Communities website:

www.ruralcommunities.gov.uk

DEFINITIONS OF 'HOME-BASED BUSINESS' AND 'HOME-BASED WORKER'

In this report we use the term **home-based business**. By this we mean any business or self-employed person that uses a residential property as a base from which they run their operation – consciously doing so instead of running a separate workspace/shop/office.

Many people working for themselves from home do not classify themselves as businesses (often seeing themselves as freelancers or people who provide professional services/sell products). But the term 'home worker' can imply an employee or someone who is not a suitable candidate for business support. The main theme of this report is to challenge these assumptions.

We use the term **home-based worker** to cover all categories of people who work from home, either as home-based businesses, employees, or a combination of the two.

SUMMARY AND RECOMMENDATIONS

Home-based working is a significant part of the rural economy: 11.6% of economically active people work mainly from home in rural districts. The trend is on the increase, driven by advances in technology, high property costs and a growing resistance to stressful and time-consuming commuting. Yet economic development and business support agencies have so far substantially failed to track and understand, let alone support, those people who run their businesses from home. They remain 'under the radar'. Here we summarise the current situation and make recommendations for action at all levels

MAIN FINDINGS

More than **one in nine** (11.59%) economically active people in rural districts work mainly from home, more than three quarters of a million people (Census 2001).

Home-based working is **significantly more common** in rural than in urban areas. The figures are 9.16% (about two million people) for England as a whole and 8.02% (one million) in urban districts outside London

'Many people are out there in well upholstered garden sheds connected to broadband. We have no idea what they are doing'
Business Link Adviser

The Labour Force Survey shows that home-based working in the UK as a whole has been **rising** over the last five years – up from about 2.9 million people in 1999 to 3.3 million in the spring of 2004, a rise of over 12.5%

Self employment is also more common in rural areas: 16.17% (1,070,000 people) compared to 11.27% (1,410,000) in urban districts (Census 2001).

There is a **strong correlation** between home-based working and self-employment. The Labour Force Survey found **56%** of self employed people working at or mainly from home in 2001 (1,736,000 people). The figure for employees was just 4% (988,000)

There are approximately **600,000 home-based businesses** in English rural districts (based on

Labour Force Survey 56% figure applied to 2001 Census rural district self employment figures)

There is a lack of **consistent comparable data** being collected and published on home working trends. This makes tracking the sector difficult and may be contributing to the marginalisation of support for home-based businesses. Ideally, future data should differentiate between home-based businesses and employees – as well as exploring the types of work now taking place in the home

In a survey of all 145 rural districts' economic development departments for this report, we found **only four doing any research** into the home-based workers in their area. Over half (54%) admitted not using readily available information on home-based working to inform their policies and strategies

In a survey of the 39 Business Link operators with a rural clientele, we found that advisers believe that their traditional 'growth model' business advice service is often seen as **irrelevant** by home-based micro businesses. They also feel that people working from home are frequently **reluctant** to approach them, fearing regulation and red tape

Comprehensive research identified only a **handful of one-off projects** across rural England that have any significant remit to target the needs of home-based businesses

Anecdotal evidence from agencies and business advice professionals suggests a **sea-change** in the nature of home-based working in rural districts.

KEY THEME: TACKLING RURAL DEPRIVATION

The rural economy of England displays many characteristics that might suggest it is both healthy and diverse. However many communities and individuals within them suffer forms of disadvantage and social exclusion.

Understanding the pattern of deprivation in rural areas is far from simple. An apparent affluence in many rural areas masks **pockets of deprivation** that are not easy to identify.

Tackling disadvantage and social exclusion in rural communities is highly dependent on the health of the rural economy. Key issues are low household income and the intermittent nature of employment for many. In 2002, 31 of the 50 lowest wage earning local authorities in England were rural. Certain groups in rural areas are more prone to suffer such disadvantage: women, young people and the elderly.

Many such people may find that home working offers them the **flexibility** they require, either as self-employed or employed workers. Self-employment either as a part of a portfolio of employment or as the primary income source could help lift many out of low pay and seasonal work.

Countryside Agency research shows, for example, that many women **oscillate** between periods of self employment and periods of economic inactivity. Could they be helped to put their businesses on a firmer footing with well-targeted support?

Our research into projects that support home-based businesses found that low paid and aspiring businesses could be helped enormously by being **connected** with more established/financially successful home-based micro businesses.

Grouping the less-experienced/deprived all together for support and training is not as effective as linking them with those that have already become strong and have **access to valuable contracts**, often beyond the immediate local area.

In turn, more successful home-based businesses often see great advantages in **subcontracting** work to start ups located nearby – a cost-effective and convenient alternative to sending work to more expensive businesses in urban areas. See our case studies for more

The decline of agriculture, the advent of broadband and many other factors have led, many say, to a growth in **service, ICT and craft** businesses. They also report a growing number of rural

micro business start-ups by in-migrants.

For more detailed findings in a full online report see www.ruralcommunities.gov.uk

NOTE: NEW RURAL DEFINITIONS

The findings in this report are based on 2004/05 definitions of what constitutes a 'rural' district. New rural definitions have since been issued by DEFRA. These create the following headline findings:

Self employed people based in rural areas: 775,000 or 11.3% of the working age population (*based on the LFS survey 2003*)

Of the economically active of working age in rural areas, 637,601 people are working from home – 11.79% of the working age population in rural areas (*Census 2001*)

The figures above are from the forthcoming **State of the Countryside** report (July 2005). For details on the new rural definition, visit www.countryside.gov.uk

RECOMMENDATIONS

AN OVERALL GOAL FOR GOVERNMENT

'Ensure that home-based businesses in rural areas are fully supported to the same extent as businesses using traditional workspace and those in urban areas'

AN OVERALL GOAL FOR LOCAL AUTHORITIES

'Research and track patterns of home-based business in the district. Ensure that they can access appropriate and ongoing business support assistance of equivalent value to that enjoyed by traditional businesses'

KEY THEME: A SUSTAINABLE 'DAYTIME ECONOMY'

We found that in many rural areas, as many as **one in seven** working people are home-based, over half of these running their own business. Many villages now lack an active daytime economy – agriculture is in decline, second homes and commuters are prominent. Could home-based business offer a sustainable alternative?

Where home-based businesses flourish, there is **greater demand** for services such as post offices. Wealth is brought in (often downloaded) rather than exported/left to circulate in urban centres.

Economic strategies to revive rural areas need to learn more about the needs of those who work (often from home) within villages and towns that otherwise risk becoming commuter dormitories.

Being home-based is also a way for businesses to **reduce their costs**. With house prices often very high in rural areas, the chance to avoid the cost of a separate workspace (often a drive away in an urban area) is a key factor behind the home working trend.

ACTIONS FOR GOVERNMENT

Government action is needed to set an overall agenda that results in mainstream support for home-based business – and to co-ordinate the gathering and analysis of useful data

- **Recognise the particular significance** of home-based businesses in the rural economy
- Recognise and **address current failure** to support rural home-based businesses
- Aim to **'mainstream' business support** for home-based rural businesses
- Give one government department or agency **lead responsibility** for promoting and tracking the effective support of rural home-based businesses
- Issue a **Public Service Agreement** (to be shared between DTI, DEFRA and ODPM) to give home-based businesses equal access to appropriate business support
- Encourage **RDAs**, the **Small Business Service** and **Business Link** operators to all develop specific strategies that support home-based businesses in rural areas
- Include support for home-based businesses in the **comprehensive performance assessment criteria** for all rural local authorities
- Recognise home-based business as a **sector in its own right** ■

We found as many as one in seven working people working from home in many rural areas

Advances in technology and broadband enable global business to be carried out in a room with a computer as never before



WHY SUPPORT RURAL HOME-BASED BUSINESSES AT ALL?

- Evidence shows that businesses supported effectively at an early stage are more **likely to survive and grow**
- Rural micro-businesses do not have access to urban business 'buzz' and capacity. They can find it harder to recruit skilled staff and source quality services and workspace. They innovate through other ways of working, growing businesses by **collaborating and contracting** rather than taking on premises and employees. This should not be penalised. Instead support should aim to plug the gaps caused by rural realities
- Every business seeks support from others – from banks to accountants and friends. Making the most professional support available is likely to enhance their **chances of success**. It can also **challenge** any tendency to be 'growth resistant'
- With much higher incidence of home-based business in rural than urban areas, support needs to be **rural-proofed**: made available on equitable terms whatever the choice of premises
- All businesses at all levels face challenges complying with regulations and understanding the opportunities presented by new technology etc. Making support equitably available to rural micro-businesses can help them avoid time-wasting and uncertainty
- If home-based business is not the answer to the challenge of creating a sustainable rural economy, **what is?** It is up to those who fail to support home-based rural business effectively to justify this, not vice versa...

This report challenges what we found to be a common and worrying assumption amongst many involved in business support: that a business without premises and growing numbers of staff is one that is **not serious** and is therefore not worth supporting.

Many very successful businesses are started from home – and always have been: historical examples include F International (now the major plc Xansa) Ford, Walt Disney, Apple Mac, Hewlett Packard and Habitat.

Today, advances in ICT and broadband enable global business to be carried out from a room with a computer as never before. Add this to the high cost of running a separate workspace and home – plus what many perceive to be the waste and stress of spending the equivalent of one working day a week sitting in a car commuting – and the **appeal** of home-based business is obvious. Reduction in commuting activity also has clear environmental benefits.

ACTIONS FOR REGIONAL DEVELOPMENT AGENCIES

Responsibility for setting overall objectives for Business Link operators now rests with RDAs, who also collate regional statistics through observatories

- Set clear **annual targets** for assistance given to rural home-based businesses for Business Link operators under their new contracts managed by the RDAs
- Establish the incidence of home-based business in the region. Work with observatories and research organisations to establish **statistical benchmarks** that can enable future trends in the sector to be **tracked** and hot spots identified
- Develop **home-based business strategies** as part of their regional economic development and innovation strategies. Ensure these strategies support the provision of appropriate, carefully targeted services to businesses that are often isolated and harder to reach
- **Rural proof** these strategies, recognising that home-based micro-businesses are a particularly significant and sustainable part of the rural economy
- Expand the definition of growth potential to include businesses that **sub-contract** rather than employ staff. Current models that assess potential for intense business support do not acknowledge that sub-contracting is contributing to economic growth
- Ensure home-based working opportunities are available to **service users, not just staff**. Our research identified many organisations considering ways their staff can work from home while failing to consider – even discouraging – users (eg social housing tenants) from working from home
- Use support for home-based business as one strategy to fulfil the 2005-8 PSA targets of increasing employment rates of **disadvantaged** groups such as lone parents, ethnic minorities and people over 50
- Link support for home-based businesses with achievement of the PSA target of building an **enterprise society** in which firms of all kinds thrive, and support more enterprise in disadvantaged communities
- Fund **pilot schemes** that support home-based businesses with central hubs, for example in market towns and/or live/work schemes. Learn lessons from these pilots to inform the mainstreaming of business support for the home-based sector ■

Home-based micro-businesses are a significant and particularly sustainable part of the rural economy



- Work with further and **higher education** to maximise facilities for home-based businesses and to help areas retain skilled graduates with the lower costs associated with home working
- Review plans for building industrial estates. Just as housing can be built on brownfield sites, so the potential for business encouragement in **existing buildings** needs revisiting
- Recognise that home-based businesses are often started and maintained as a **positive choice**
- Understand the growing tendency of employees who are home-based to connect through web-conferencing and other digital means, so that **distance from head office** becomes irrelevant. Home-based employees can be attracted to an area even if it is physically remote from head office ■

KEY THEME: HOME-BASED BUSINESS KNOWLEDGE

With so many home-based businesses operating 'under the radar' – invisible to business support agencies and to each other – an opportunity is being missed. Many of these businesses are operating high value **knowledge-based** businesses. By connecting them with one another, knowledge and skills can be transferred effectively within the rural economy without having to parachute in experts from urban centres.

The growing number of experienced in-migrants who start second careers in rural areas is a potentially rich source of this know-how.

This is particularly important for more **disadvantaged** groups wanting to opt for self employment. Learning and sharing knowledge with others working in a similar way – but at various stages of business success – can appeal more than education-sector based training, we found. Our cases also showed a level of confidence and reassurance in those start-ups who knew they could access relevant help or others in a similar position, reducing risks of isolation. See case studies and interviews for more detail.

ACTIONS FOR LOCAL GOVERNMENT

At a district level, support can be provided to local agencies such as enterprise agencies who work with micro business start-ups. Networks of micro-businesses are often very locally based. Local government is best placed to provide 'on the ground' support for their activities

- **Research** the incidence of home-based working in the district and home-based businesses' needs
- Work with **local strategic partnerships** to incorporate support for home-based businesses in their strategies. Encourage lpsps' business/employment sub-groups and any business brokers to direct resources to micro-enterprises
- Create or facilitate, through business brokers where available, information gathering to **identify needs** of current and potential home-based businesses. Connect with private sector players who speak directly with the businesses
- Develop a **policy** based on this research to continually monitor and support home-based businesses
- Set **annual targets** for assistance given to rural home-based businesses
- **Mainstream support** of home-based businesses. Audit spending and time spent on business across the district to ensure that future efforts are equitably distributed to all businesses, including those based at home
- Draw up a **supplementary planning document** on home-based working and live/work property, to clarify support for environmentally acceptable work use of property. Enable home-based businesses to operate openly without fear of enforcement and other actions that are out of step with modern working practices
- Encourage the creation of and support **business networks** that underpin and appeal to the home-based sector. Work with established groups such as chambers of commerce and the federation of small businesses ■

- Help to create **'hub' facilities** that offer a locally-appropriate range of services and meeting spaces to home-based businesses – a venue they can use to learn, collaborate and combine their spending power. See www.workhubs.co.uk. Carefully consider the role of **market towns** as the appropriate location for such hubs
- Monitor local authority and housing association **tenancy agreements**, to ensure that they do not include conditions banning all business use of property support and enable home-based working
- Put in place systems to **measure the impact** of home-based working and live/work on housing, jobs, businesses and transport ■

ACTIONS FOR BUSINESS LINK OPERATORS, LEARNING AND SKILLS COUNCILS AND SECTOR SKILLS COUNCILS

These agencies control most business and skills support activities. They need to be aware of the potential contribution of home-based business and to include them in the design of their services and interventions

- **Audit** the amount of support offered to home-based businesses, developing a statistical framework that can track assistance of this sector in the future
- Recognise that services provide by business link operators (including contracted services) need to be **tailored to home-based businesses**. Recognise that support devised and designed for other types of business is likely to be seen as irrelevant and inaccessible by home-based businesses
- Adapt the **value added growth model** that identifies target businesses for intensive one-to-one business support. Count contracted out services as adding value, not as a cost
- Divert existing mainstream funding to support **targeted projects** that home-based businesses feel comfortable with.

This is critical to ensure a wide take up, to maximise business survival and growth in this sector

- Meet the **'rural proof' target** set by government to provide equal assistance to rural businesses as to those in urban areas. Consider innovative means of delivery to meet this target
- Consider **using local networks** of businesses to provide micro-business support. Review the automatic use of enterprise agencies as delivery vehicles for this
- Encourage **'networks of networks'** involving specialist agencies such as the prince's trust, shell live wire and other voluntary and community enterprise support structures. This will ensure that existing local connections and knowledge are shared ■

ACTIONS FOR PRIVATE SECTOR AGENCIES AND BUSINESSES SUCH AS BANKS, ESTATE AGENTS ETC

Joined up action, especially in rural areas, needs to link public, private and voluntary agencies together in partnership working to help support and enable rural communities to thrive

- Consider **funding and supporting** local business networks through financial support, mentoring, *pro-bono* support to advertise services – these are your potential customers
- **Join** networks as members to contribute to their development. This will greatly raise your profile amongst a group who, our case studies show, are particularly keen to purchase services locally
- Working with business brokers or local authorities, **gather information** in a systematic way to identify needs of existing and potential home-based businesses. Feed these through to a central source
- Give **talks** on issues of significance to home-based businesses
- Contribute **premises/meeting rooms** that are not fully used to pools of facilities that can be hired ■

ACTIONS FOR HOME-BASED BUSINESSES

Home-based businesses need to become accepted parts of the mainstream economic community to reap the rewards enjoyed by more visible businesses

- Become **visible** – be willing to be identified and tracked in return for seeking greater assistance
- **Check out** local enterprise agencies, business link operators, post offices for information on where help can be accessed. Don't wait for them to come to you
- Join local **broadband groups** if your area still hasn't got access, and add your name to lists that need a trigger point
- Find out if there are any local business **networks**, join at least one and become an active member, encouraging others to meet up occasionally
- To get the **message out** or to start a local group, start a column in a local newspaper/ set up a website/connect with the local chamber of commerce/ask friends to tell their friends – word of mouth is a great recommendation
- Start with coffee or lunch **once a month** and identify levels of demand. Offer something **different** at each meeting
- Make sure people bring along and swap **business cards** or contact details
- If you don't see what you need, **ask** – local networks, enterprise agencies, the local authority, business link operators
- Actively search out **mentors**, potential collaborators, people to benchmark – offer to swap experiences
- Realise that within a network, the more visible you make yourself and what you can offer, the **more you will get** out of it ■

ACTIONS FOR EMPLOYERS

With the growth of employees working full or part time from home, employers can get economies of scale by linking up with and joining in support mechanisms for all home-based workers

- Encourage employees to **link up** with local home-based self-employed people for mutual support and mentoring
- Recognise that employees working from home need to act as if they are '**freelance**' (see www.Wfh.Co.Uk). Encourage them to learn and share tips and support with fully self-employed neighbours. These can range from both technical tips to isolation-busting cups of coffee
- Explore possibilities of providing more **local support** mechanisms to staff, such as specialised computer support, if local home-based businesses can contribute
- See if support for employees can be shared with others in market-town based **hubs**
- See home-based businesses as a potential **source of support**, markets and sub-contractors for your own employees ■



1 RURAL HOME WORKING IN CONTEXT

HOW SIGNIFICANT IS HOME-BASED WORKING?

- More than **two million** people (2,055,641) in England work at or mainly from home (Census 2001)
- This translates as **9.16%** of the working population
- The percentage of the workforce working from home in the 145 rural districts is even higher at 11.59% – over **three quarters of a million** people (766,489).

WHO IS WORKING FROM HOME TODAY?

- Of the more than three quarters of a million people working from home in rural districts, about 60% (457,749) are men and 40% (308,859) women. (Census 2001)
- The Labour Force Survey for the spring of 2001 shows that the **majority of self employed** in the UK (56%, about 1.75 million people) were **home-based** (those working in their home, in the same grounds or building as their home or based from home). This demonstrates the vital importance of support for home-based working in developing an enterprise culture
- A survey of 18,635 members by the Federation of Small Businesses found that just under 40% were home-based (FSB biennial survey 2004). The rural figure was higher: **55%**

WHAT ARE THE TRENDS?

- The Labour Force Survey shows that home-based working in the UK as a whole has been rising rapidly over the last five years, from about 2.9 million in 1999 to almost 3.3 million in the spring of 2004, a rise of over 12.5%. The numbers and proportions are **likely to increase** further in rural areas for the foreseeable future
- Home-based business can be **well paid** in the modern economy. A recent survey of 443 home-based businesses in south east England (Step Ahead Research, 2005) found that 35% reported a turnover over £30,000, 13% over £100,000
- SIBIS (Statistical Indicators Benchmarking the Information Society), an EU-funded project tracking the growth of the information society, claims that in 2002/03 about 4.5% of the UK working population were self employed as home-based teleworkers
- There is a wide **diversity** of home business types identified in most research – no one pattern is likely in any district. The Step Ahead Research study Home Based Businesses in the South East of England found 67% were the main source of household income, the rest providing supplementary income. Almost two thirds (64%) were run by men.

Census 2001 snapshot	% of employed: self employed (number)	% of employed: working from home (number)
England	13.17 (2,954,894)	9.16 (2055245)
Rural districts	16.17 (1,069,569)	11.59 (766,634)
Urban districts (excluding London)	11.27 (1,409,953)	8.02 (1,002,691)
London	14.32 (475,371)	8.61 (285,921)

WHAT IS DRIVING THE TREND?

Many studies of home working to date have identified **four main drivers**:

- 1 The increasing use (and lower cost) of **information technology** and broadband
- 2 Work-life balance and flexibility – **time** is increasingly seen as a precious asset
- 3 Linked to above, a growing preference to avoid stressful, costly and time-wasting **commuting**
- 4 The **lower cost** of combining workspace and home under one roof – a major factor for small business

These factors were also identified in our interviews with home-based businesses and projects that support them.

WHERE ARE THE HOME-BASED WORKERS?

Although less than 29.5% of all people in employment in England live in rural districts, **37%** of home-based workers are to be found there according to the 2001 census.

Home-based workers make up the **highest proportion** of the local workforce in the more remote districts (12.04% as opposed to 11.09% in the accessible rural districts). Some 65% of districts classified as remote rural and 35% classified as accessible have above average levels of home-based working. This may reflect the lack of alternative employment in some of these areas.

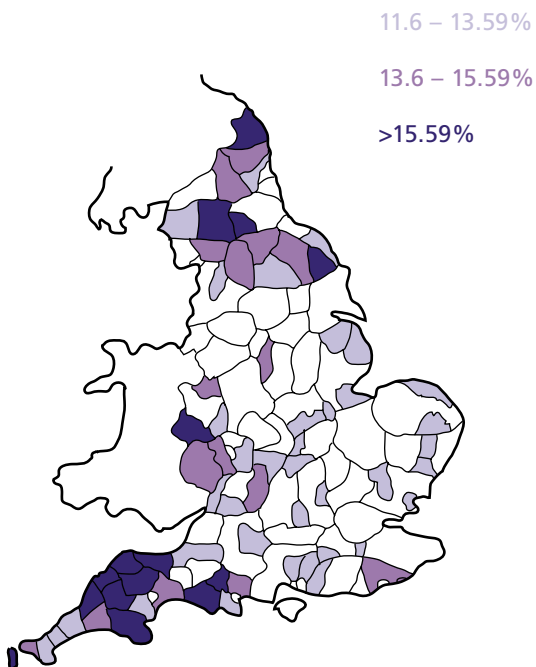
Particularly high levels are found in the more sparsely populated rural districts, the north east region (13.37% of those in employment) and in the south west region (13.20%).

The majority of the self employed in the UK are home-based

Rural districts in the East of England region have the lowest proportion of homeworkers (10.71%).

In terms of **numbers**, the south east region has the highest number of rural home-based workers (197,284) followed by the south west (160,867). the region with the lowest number is the north east (14,697).

Rural home-based working is of particular significance in the south west, which has high levels of home-based workers both in terms of numbers and proportion of the workforce.



Distribution of rural districts with above average levels of homeworking

STATISTICAL NOTE

One of the main difficulties encountered in this study has been the **lack of clarity and comparability** in published statistical data. Home-based working does not feature in readily available economic indicators. There is no reliable basis for estimating the full contribution it makes to the national economy. Ideally there should be clear and comparable data on home-based working published annually by ONS. This should **distinguish** between employees and businesses.

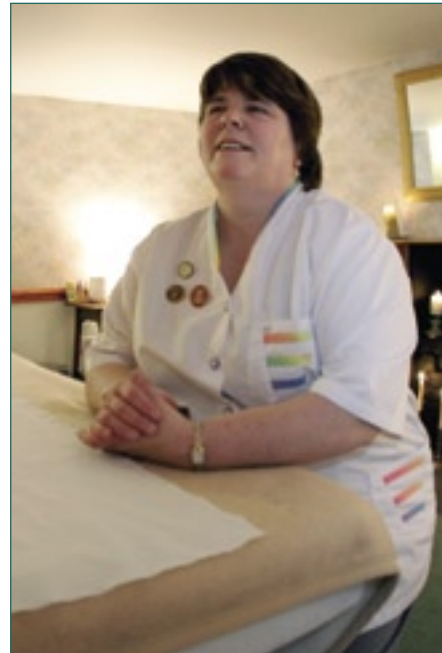
All 18 rural districts in Cornwall, Devon and Dorset have above average levels of home-based working as do three of the five districts in Somerset, one in Wiltshire and three of the four in Gloucestershire. There are more home-based workers in the rural districts of the region than in the urban centres (160,867 as opposed to 90,554).

North Yorkshire is another area that has high levels of home-based working, both in terms of numbers and proportion of the workforce. Six of the seven rural districts in the county have above average levels with 13.53% of the overall rural district workforce working at or from home.

Almost 12% of those in work in rural districts work from home, compared to 8% in urban districts

This hotspot is adjacent to other districts with above average levels in Lancashire, Cumbria and County Durham which connect it to another cluster in Northumberland.

The West Midlands has a concentration around Herefordshire, western and northern Worcestershire and southern Shropshire.



Home based complementary therapy businesses increasingly use the web and email to market their services

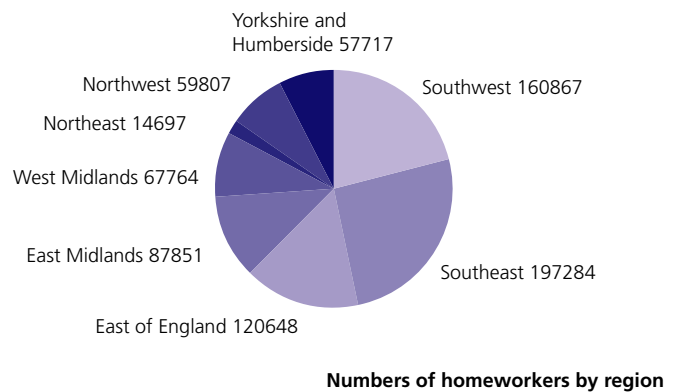
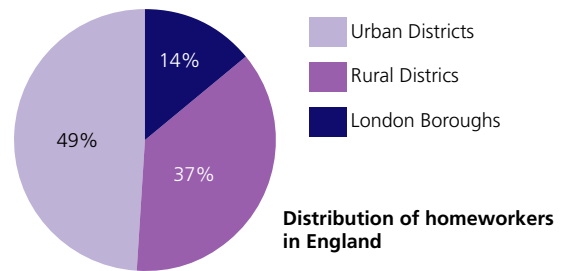
Regional snapshot	Rural home workers (% of workforce)		Urban home workers (% of workforce)	
South east	197284	(11.15)	189015	(8.92)
South west	160867	(13.20)	90554	(8.48)
East of England	120648	(10.71)	122843	(8.45)
East midlands	87851	(10.87)	1794660	(6.43)
West midlands	67764	(12.55)	141064	(7.86)
North west	59807	(10.79)	242478	(8.36)
Yorkshire and Humberside	57717	(11.84)	126482	(7.46)
North east	14697	(13.37)	64608	(7.00)

Note: For an analysis by **district**, please visit www.ruralcommunities.gov.uk

WHAT ARE THEY DOING?

In the sample used by Step Ahead Research for their south east study, the **breakdown** of sectors showed only 8% of businesses working in manufacturing, mining, transport and communications. The highest proportion, 30%, were based in financial and business services, followed by 23% in education, health social work and other services, 22% in construction, 9% in wholesale, retail, hotels and restaurants and 8% in agriculture, hunting and fishing.

Whatever their sector, a growing number of home-based workers now share a **common way of working**: reliance on information and communications technology. The Telework Association reports that that the number of teleworkers in the UK more than **doubled in four years**, from 1.01 million in 1997 to 2.113 million people between 1997 and 2001. This figures includes the vast bulk of home workers.



Jane Starkie runs a plumbing and electrical business from her home in rural Cumbria

Most home workers now share a common way of working: reliance on information and communications technology. The number of teleworkers doubled between 1997 and 2001: over two million now work this way, the vast majority of home workers

MYTHS ABOUT HOME-BASED WORKING

'It is overwhelmingly low paid and manual'

By the early 1990s over 45% of home-based workers in rural districts were already employers, managers, professionals and other non-manual workers (ONS). Data is scant on home-based working and earnings but an increasing number are now 'teleworkers'. The DTI estimates that only 160,000 home-based workers would benefit from a 'minimum piecework' rate to equate to 120% of the minimum wage

'It is mainly employees not the self employed'

The 2001 census data shows a strong correlation between levels of home-based working and self employment in rural districts, implying that a high proportion of home-based workers are self employed. The Labour Force Survey for the same year showed that 56% of self employed people worked at or from home as opposed to only 4% of those who were employed

'Only very tiny businesses can operate from home'

In terms of numbers of employees, this is clearly true. But this assumption forgets the importance of turnover and of modern business networking, which allows micro-businesses to work together on particular projects, enabled by new technology. Almost a fifth of the 443 home-based businesses sampled in the south east (Step Ahead Research, 2005) had between 1 and 2 employees, 10% had 3 or more and 13% divulged turnovers of over £100,000. Home-based businesses can and do move beyond the margins of economic significance

'Home-based business is not a significant part of the rural economy'

Almost 12% of those working in rural districts mainly work from home. The Countryside Agency report *Stepping Stones* found that many rural households rely on small contributions from a range of activities and sources, including part time jobs and home-based micro businesses

'It's something incomers do'

None of the district economic development officers or RDAs surveyed for this study had any data on this. However a study in Horsham (Jill Carter, 2004, Home-Based Business Survey) found that 50% of home-based businesses in that district were run by someone resident for more than 20 years. Our interviews and research found anecdotal evidence that increasing numbers of both locals and incomers are choosing to work from home

'Teleworking is just for middle class people'

Use of information and communications technology is no longer confined to certain socio-economic groups. In the course of this study we found businesses using ICT to market craftwork, bed and breakfast accommodation and complementary therapies, as well as to provide remote secretarial and office support, and even run a butcher's shop. Running a business of any kind without access to email or the internet is increasingly difficult, especially in remote rural areas.

Home-based micro businesses have a potentially critical role to play in revitalising rural communities. In areas no longer dominated by agriculture and/or tourism, they can contribute to sustainable 'daytime economies' – an alternative to communities dominated by commuters, the retired and second home ownership

HOME-BASED businesses are a hidden engine in the creation of sustainable rural communities. Their presence can:

- reduce commuting
- revitalise daytime communities
- contribute to diverse rural economies, reducing overdependence on particular sectors.

They contribute to overall rural household income in a variety of ways. Research and case studies show people running home-based businesses both full time and part time, sometimes combining this with other paid employment. Home-based businesses' relatively modest space requirements can ensure that increased rural economic activity does not have to be associated with major new build. In effect, they are doubling the contribution of their property (as combined workspace and home) and halving its drain on natural resources (by sharing fuel costs).

With one in nine of the rural workforce working from home in 2001, it would be prudent for government at all levels to start taking this part of the rural economy more seriously. All the statistics ([see page 12](#)) show an ongoing national trend towards this type of working. The drivers – improved communications technology, high housing costs (making a separate workplace harder to afford for small businesses) and a growing reluctance to waste time commuting – all have resonance in rural England.

It is therefore not hard to imagine home-based businesses becoming the largest single 'sector' in some rural areas in the future. Already many rural districts report 15% or more of the workforce working at or from home, almost **double** the urban average.

TRANSPORT IMPACT

A comprehensive survey of 1991 census data for the Countryside Agency shows that wards with clusters of in-migrants and self-employed people reduce the incidence of **outward commuting**. Rural-based commuters travel as much as 1.6 times further than their urban counterparts.

Our case studies did include home-based businesses who travel to a city, perhaps once a month. But they reported that broadband and ICT based connectivity have **reduced the number** of these visits.

Improved technology, high housing costs and reluctance to waste time commuting all have particular relevance to rural England

Several interviewees had given up long commutes to work from home. We also found that where home-based workers travel to meet clients, potential customers etc, they often do so after taking their children to school, staggering the **congestion impact** of their business journeys.

A **fuller picture** of the current transport impact of rural home-based businesses is needed. The growth of web conferencing, use of the computer to computer speaking systems such as SKYPE, and e-commerce are likely to further reduce the need for travel. This will play its part in reducing vehicle **emissions**.

Reduction in time spent commuting gives workers more flexibility and improved quality of life. A Sustel report surveying BT teleworkers in the UK showed that over 60% of those surveyed had saved at least **six hours a week** from their usual commute – close to a full working day.

GREG DYER – NEW MEDIA MARKETING

Greg Dyer co-runs Light Circus Digital Media Ltd from a custom built cabin in the garden of his house in Relubbus, Penwith. Both Greg and his business partner Mark Noall originated from Cornwall but went ‘up country’ as it didn’t seem possible to make a living in Cornwall 15 years ago. However, Greg returned from working in the M4 corridor in 1999 and Mark moved to St Ives in 2002.

‘We were two freelancers working together remotely back in 1999, we formed a partnership, then in 2003 became a limited company, but we each still work from home,’ says Greg.

‘We don’t create full time jobs, but we do substantial local contracting and partnership working. Through Digital Peninsula Network contacts, we now use local book-keepers, accountants and specialist computer programmers. Our customers are now mainly national, rather than local. But we work in collaboration with other trusted companies – many home-based – to deliver.’

A natural networker, Greg has not been reluctant to link up with mainstream business support services. Unlike his positive experience of Digital Peninsula Network, a time-limited one-off project, he is **unimpressed** with the mainstream business support services.

‘Many people like me are practitioners, **not business people,**’ says Greg. ‘I’m in business but I’m not a businessman. What I don’t need is the Business Link approach which goes ‘We won’t talk to you until you’ve done a business plan’.’

Greg believes that standard business advice feel **deliberately arcane**. ‘Getting useful business advice is deliberately made hard, you feel. It’s as if it is trying to shake out people who aren’t going to make it. The irony is that successful people are too busy to **jump through hoops**, and it’s really patronising. So some people with time on their hands and no orders are writing business plans. Successful people who know how to generate business and earn money don’t get supported or accelerated.’

I’m in business but I’m not a businessman. What I don’t need is the Business Link approach which goes ‘We won’t talk to you until you’ve done a business plan’



New media designer Greg Dyer: ‘Getting useful business advice is deliberately made hard, you feel. It’s as if it is trying to shake out people who aren’t going to make it. The irony is that successful people are too busy to jump through their hoops – producing business plans and the rest’

REVITALISED 'DAYTIME' ECONOMIES

Some local rural economies are facing serious challenges. Nine out of ten post offices are described as commercially unviable (Ruralfocus, Sept/Oct 2004) and village shops continue to close down. Some 70% of rural parishes have no general store and many more are under threat. In 2003 the Campaign for Real Ale reported 20 traditional pubs closing every month, many in rural areas.

Initiatives such as the Countryside Agency's Vital Villages programme and Virsa (Village Retail Services Association) are working for the survival of village shops. Rural home-based workers, present in local communities during the day, can play a major part by providing custom. Many of our case study interviewees reported actively **purchasing locally** when they could, to support their local economies. Home-based businesses are an invisible **engine of support** for daytime rural economies.

Social and community capital is enhanced by people who frequently see each other on streets and in shops. Dormitory villages could therefore be revitalised with a significant contribution by home-based businesses.

DIVERSIFICATION

'Contrary to popular opinion, rural economics are not just about agriculture and tourism' wrote Pam Warhurst (Countryside Agency, 2002). Her comments explode the myth of countryside economies being based on agriculture. She found that:

- **only 4%** of the rural workforce is employed in farming
- 17% of total rural employment is in **manufacturing**, higher than the 14% of the urban workforce.

These trends are likely to increase, highlighting the need to diversify rural employment away from a dependence on less significant and declining sectors. Existing research stresses the variety of work carried out by rural home-based

businesses. Our own case studies illustrate another factor – the **flexibility** of how people work from home. Many have changed careers and are working in more than one sector. Some have part-time employment combined with self-employment, so classification into these two areas is increasingly likely to show a false picture. This diversification reduces the risk of catastrophic economic downturn in rural economies such as that experienced in the foot and mouth outbreak in 2001.

Home-based businesses may seem hard to track and categorise, but this does not mean they are not a positive and growing element of the rural economy

Put simply, the rural economy needs to ensure it does not put all its eggs in one basket. Home-based businesses' **diversity** should therefore be seen as a strength, not as a weakness. To public sector business support and economic development staff they may seem hard to track and categorise, but this does not mean they are not a positive – and growing – element of the rural economy.

Only 9% reported that limited space was a drawback to running a business from home

LIMITING ENVIRONMENTAL IMPACTS

Home-based businesses tend to grow through increased turnover, not necessarily on-site job creation, so they do not require large amounts of newly built workspace. Step Ahead Research (2005) found that **increased turnover** did not necessarily result in the increase in staff numbers or demand for floor space predicted by conventional business models.

In this study, more than half the businesses occupied less than 20 sq feet of floor space. But 81% reported that they were unlikely to need new floor space in the next five years. Only 9% reported that limited space was a drawback to running a business from home. This is despite the fact that 55% said they expected to experience growth in their business over the same period. Revitalising rural economies through supporting home-based business will **reduce** the need for new specialised employment sites to be built.

CATHERINE CANNON – PUBLISHING

Catherine Cannon, who has lived in Cumbria all her life, runs Red Wellies Publishing from her home in the village of Great Strickland. It is a self publishing business for her children's books about Felix the fast tractor (www.felixthefasttractor.co.uk)

Catherine started publishing in April 2004. The first book has sold over 3,000 copies. A second book was published in December 2004. An additional source of income is Red Wellies consultancy, a PR and marketing consultancy.

Publishing requires a lot of cash up front to pay for printing, so cash flow is an issue for Catherine. She obtained a POINT grant from the Rural Women's Network ([see page 38](#)) to help with this. 'The money wasn't the most important thing. It was having a support network – having someone you can ring who really knows your business and can help. I feel more secure knowing the help is there. They are brilliant.'

Catherine went to the network's networking and talent auction lunch. 'Lots of people said they wanted a website or computer type help, so I'm not the only one. As my business grows I see that I will eventually be negotiating with big distributors. That's when I'll need negotiating skills training, so I'm on an even playing field when doing deals with organisations much bigger than me.'



Catherine Cannon writes and publishes children's books from her home in Cumbria: 'Having someone you can ring who really knows your business is the most important thing'

SUSTAINABLE COMMUNITIES IMPACT

There is little evidence of a strategic connection between the business needs of home-based working and its environmental impact. While district plans increasingly refer to it in terms of its ability to reduce commuting and help produce other outcomes that help to create **sustainable communities** employment strategies have little to say on home-based working.

The potential benefits include:

- use of one property not two
- low floorspace requirements (the Step Ahead Research survey of home-based businesses in the south east found 81% unlikely to need extra floor space in the next five years)
- significant reduction in waste of natural materials as a result
- significant reduction in fuel use as a result
- less need to build new workspace, protecting green belt land and making best use of brownfield sites possible
- village and town centre renaissance – people living as well as working in town centres

Rural post offices and other services can be kept viable by home-based businesses



- no need to commute (fewer journeys, lower CO2 emissions)
- increased security – more homes occupied during the day can reduce fear of crime in a neighbourhood
- a daytime economy – people working in places otherwise dominated by second homes and commuters
- spending power for local services – users of post offices etc
- an enhanced role for market towns (as the hub for scattered hinterland of home-based workers).

What is rare is any cross-theme thinking that sees the success of home-based business as being good for wealth creation as well as the community and the environment. Put simply, planning and economic development departments are not doing enough to **connect the two issues** together and work at supporting the new home-based working sector.

Planning and economic development departments are not doing enough to connect the home-based working issues of employment and sustainability together

LOW PAID HOME-BASED WORKING

Very low paid manual home-based working does continue in the UK. The National Group on Homeworking (NGH) categorises many of those involved as 'dependent' home-based workers, rather than genuinely self-employed home-based businesses. It has found concentrations of such groups (mainly ethnic minority women) in a number of inner city areas, carrying out piece rate work, assembling items and other kinds of repetitive work.

In autumn 2004 an NGH campaign was launched, sponsored by Oxfam and the TUC to persuade four major UK supermarkets who source items assembled by such home-based workers to abide by the minimum safety and payment requirements of the Ethical Trading Initiative.

Reliable figures on this group are not available. Estimates have ranged from 250,000 to an unsubstantiated one million plus. As an NGH report (Felstead and Jewson 1996) states, 'there are no nationally available statistics' and there is a widespread reluctance of such home-based workers to declare their status to researchers, let alone the Census.

In its January 2004 Regulatory Impact Assessment on fair piece rates for 'output workers including homeworkers', the DTI estimated that **160,000** home-based workers would benefit from a proposal to pay a minimum piecework related rate equivalent to 120% of the national minimum wage. But it acknowledged that research sample sizes have been too small to estimate precise numbers with confidence.

There is anecdotal evidence of rural residents being targeted by firms promising riches for home-based workers selling items such as internet access and a range of cleaning products. We could not find any information on the scale of this activity.

Whatever the scale of this kind of home-based working, it is largely part of the **informal economy** and/or a casual source of 'top up' income. It is, in our view, highly unlikely to represent a large proportion of home-based businesses in rural areas.

More action is undoubtedly needed to help those exploited by unscrupulous employers. But this task should not be allowed to blur the **positive significance** of home-based businesses to the rural economy.

3 UNDER THE RADAR – A HIDDEN SECTOR

Home-based rural businesses are generally under the radar of those responsible for supporting the local economy. Unlike more visible types of business – shops, offices, farms, tourist accommodation – what they do and what they need is simply not known by most local authorities and business support agencies

NOT ALL rural home-based businesses are under the radar. Some are receiving unprecedented levels of support, mainly because of macro-economic pressures such as the reform of the common agricultural policy.

But in general there is a faulty connection between many home-based businesses and business support agencies in rural areas. Our research for this report suggests that benefits (such as business planning support, signposting/access to grants, training and funding and specialist advice) that are routinely used by workspace-based businesses are frequently missed by home-based businesses.

Support agencies have tended to think 'they can come to us if they need to'

This is a missed opportunity, as our research shows that home-based working is becoming **increasingly common** and particularly prominent in a rural environment where workplace-based jobs are often in short supply or are low paid – or (in the case of, say, farming and fishing) unstable.

Our research found that, at a strategic level, almost all RDAs, district councils, Business Link operators and other business support agencies have **no requirement** to address the needs of home-based businesses. The Small Business Service co-ordinated cross departmental review of small business statistics has not included identifying a need for tracking home-based businesses. No questions are asked and there is simply **no box to tick**.

WHY DON'T HOME-BASED WORKERS GET BUSINESS SUPPORT?

Invisible home-based businesses are generally not monitored or tracked. This is for a number of reasons. These include:

- Many are **reluctant** to link up with local authorities and other public agencies, in case their way of working is jeopardised
- Home-based businesses often keep their heads down for fear of becoming excessively regulated. Many are unclear about the implications of their working practice on their home insurance and their **liability** to pay business rates
- In the case of social landlords, most have tenancy agreements that explicitly **forbid** working from home
- Few have any kind of **'shop front'** or signage
- The growing availability of broadband in rural areas has supported invisibility – using **websites** gives businesses virtual visibility but may not place them geographically
- Models of evidence gathering and structures of business support are often well-established. They are infrequently updated to absorb **modern trends** like home-based working
- Representative business bodies such as local chambers of trade and commerce do not usually represent or **appeal** to home-based businesses.

Home-based working is highly sustainable – the mixed use of existing properties



WIDER BENEFITS OF HOME-BASED WORKING

Strategic support for home-based working should consider not only the business and employment case but wider impacts in supporting sustainable communities. For example:

Economy – access to world markets from any home with pc and broadband

Crime – greater security with homes used during the day for work

Education – opportunities for skilled graduates to be retained in rural areas

Housing – reduced pressure on new homes, making best mixed use of existing properties

Environment – reduced travel by car, fewer fuel emissions by combining workplace and home

Social – enhanced ‘daytime economies’, more social interaction

Ideally there should be strategic cross-cutting recognition of these impacts agreed at local authority and regional levels.

This lack of an **explicit aim** to track and support home-based businesses, coupled with the invisibility of home-based workers and their reluctance to link up with mainstream business support has driven some agencies to take a defensive stance of ‘they can come to us if they need to’. For those experienced in working with hard-to-reach communities, this producer-driven perspective is reminiscent of the experiences of both women and ethnic minority groups.

A DIFFERENT CULTURE OF WORK

Our research and interviews with people running businesses from home found a very different work culture to the one expected to be the norm by business support agencies. These differences are outlined in the box, over.

It seems unhelpful to leave this divide intact, at a time when all the trends are pointing towards the home-based working model becoming increasingly important and common. Rather than expecting home-based workers to fit their needs to the services offered by business support agencies, it would surely make more sense for agencies to be enabled to develop their understanding of the way home-based workers operate and to **adapt support services** to their circumstances.

This process is outlined in section five, where we suggest steps to help home-based businesses grow to their full potential

Two worlds of business support	
Business support (advice, support and assistance) in rural districts should ideally be available to all types of business, whether based in a workplace or home. They should therefore operate using both methods listed below:	
Traditional business support	Home-based business support
Outputs: mainly jobs	Outputs: higher turnover, skills and knowledge, sub-contracted work
Measure success by growth in jobs and 'value added' by employees alone	Measure success by continuing viability, growing turnover/reputation, increase in business collaboration
Links business to trade bodies	Supports hubs, both physical and virtual, where home-based businesses can network
Categorises business by sector	Sees home-based businesses as one sector defined by a way of working, not product/service
Uses long-established ways of configuring businesses	Supports re-configurations, supporting by new uses of broadband
Targeted at non-competing SMEs' growth with employee potential	Connects self-employed with others to collaborate
Individual professionals cannot be helped	Supports networks of professionals
Emphasis on advice	Emphasis on advice and facilitating provision of joint services such as remote computer support, regional/national networks of rooms to book

FORGING BETTER BUSINESS LINKS

We contacted 39 Business Link operators across rural England. Most told us that while there were **no specifically targeted support** services for this group, the generic business support and advice services were available to home-based workers as well as other businesses in both urban and rural locations.

Other points raised included:

- the **difficulty of accessing** home-based businesses and assessing their needs
- business support geared to **growth and expansion models** often does not appeal to home-based clients, content to maintain a steady level of economic activity, fitted round other aspects of their lifestyle
- emphasis on regulation and the use of **jargon** were both seen as barriers to engaging home-based businesses
- many advisers linked rural home working with **farm diversification**
- anecdotal evidence of an increasing variety of businesses starting up in farmhouses, sometimes food or craft related but often also include the use of ICT
- the farmhouse **b&b** model is no longer new
- in some areas training sessions are held in village halls and community centres, but it is often difficult to get information about these events to the people who could most benefit from them
- home-based businesses were often **identified with business start-ups** and seen as within the remit of enterprise agencies
- inappropriate support can lead to home-based businesses approaching a **string of different agencies** without finding the help they need.

'Many people are out there in well upholstered garden sheds connected to broadband. We have no idea what they are doing'
Business Link manager

Advisers were often uncomfortable with what they saw as **gaps in the provision** of services to home-based businesses. They acknowledged that they only have anecdotal evidence about the scale and support needs of home-based businesses. The lack of more formal evidence is often seen as a barrier to challenging the current models used to measure business success and to providing a more appropriate support service.

Business Link operators currently identify businesses **meriting intensive support** by measuring gross 'value added' at enterprise level. This is the sum of salaries, interest, depreciation and profit. This implies that money spent on jobs adds value, but money spent on sub-contracting work is a cost.

Money spent on jobs is treated by Business Link operators as adding value, but money spent on sub-contracting work is treated a cost

Where the home-based business has a high turnover but sub-contracts work to a number of different people at different times, this will fall under the value added radar. The model being used to support businesses and segment them for business support identifies: survivalist, lifestyle, limited growth and high potential businesses, as measured by traditional value added. This model will miss those potentially high growth home-based businesses who do not create jobs.

This seems to be falling into the trap the SBS Action Plan (2004) explicitly mentions: 'Aspects of policy which contain a subtle or unintended endorsement of employment as the preferred option must be **revisited**.'

We suggest that an adaptation of the model needs to be applied to those businesses whose growth is not dependent on job creation but are nevertheless contributing to local economies.

KEEPING IT QUIET – HOME-BASED WORKER RETICENCE

The inadequate connection between business support and home-based workers is not all down to the agencies. Although agencies clearly need to do more to adapt how they work with home-based businesses, there are some important barriers that need to be recognised as part of this process.

Whether founded or unfounded, many home-based businesses are quite **surreptitious**. High earning owner managers and low earning social housing tenants alike have concerns that the authorities may in some way **restrict or forbid** them doing what they do.

If these fears are groundless (and with well over a million homes now used in the UK for work, the trend is probably unstoppable), local authorities could and should produce clear policies on home-based work – not policies that unrealistically seek to control or restrict it, but that clearly promote it as a sustainable use of property that can help the local economy. All new housing should be required to **enable home-based working**, as one of a number of 'lifetime homes' uses (adding a category to the Joseph Rowntree Foundation system).

Local policies should clearly promote home working as a sustainable use of property that can help the local economy



THE FREEDOM FACTOR

There is an upside to home-based workers' invisibility – a greatly enjoyed freedom. The kind of freedoms home-based workers often cite as their reasons for this way of working include:

- working hours they choose
- not paying for extra premises and associated costs
- being able to 'dip into' work without travelling
- being able to combine business and community/voluntary work
- being close to children/school, home life and garden
- being able to combine paid employment with the 'vigilant care' of a sick or vulnerable adult
- their own chosen environment not one that has to look like a 'business'
- work life balance control made much easier
- no need to maintain an outward presence/ shop front
- no need to commute
- stronger connection to their local community (sustel 2004)

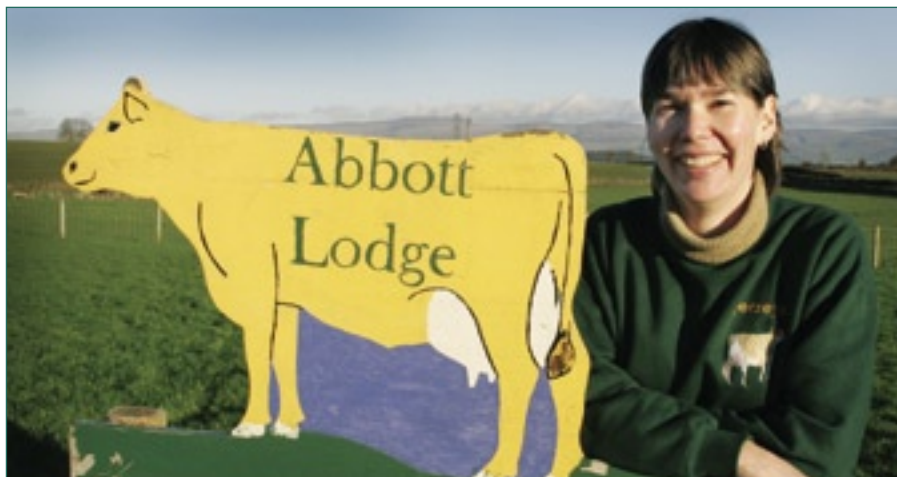
Home-based working is often a positive choice. Our case studies and recent research in the south east find **few significant drawbacks** reported by those who run home-based businesses.

The main downsides reported are difficulties in separating work from home life, and **isolation** from other colleagues. Positive reasons cited included **cost savings** in terms of using premises and **flexibility** issues, allowing people to fit their work around family responsibilities. Our research indicates that most home-based businesses feel they have a choice about how and when they work.

One of the most damaging myths is that home-based working is 'not real work'. This goes against all evidence that shows **higher productivity** and the higher earnings of home-based self employed than the average.

So do they want to remain 'under the radar'? Our research suggests not. Most home-based businesses we interviewed would prefer to **'come out'** with authorities accepting their way of working as a modern reality. They would prefer to be able to be open – but (and this is very important) they are reluctant to lose the cost savings that home-based working represents. This poses tough questions for the way that business is taxed and services costed.

One simple answer is to allow domestic mortgages, no business rates etc for home-based working as a reward for its **contribution to sustainable communities**. In effect this status quo can and should be left alone.



Clare Bland's ice cream parlour is based on the family farm in Cumbria where she lives, saving time and money with no commuting

THE ISOLATION FACTOR

There are downsides to home-based working which also need to be considered by business support agencies. The pressure to avoid work dominating home life is a well known example. But perhaps the most significant issues challenging the business's prospects in a rural setting are

- distance from viable markets
- isolation.

The first point is often dealt with by home-based workers as a trade off. They may be a long way from people and places that can give them business, but this is a sacrifice many are willing to make in return for a viable means of making a living in a rural setting.

There is growing evidence that use of the internet and the trend towards high value-added service businesses is reducing the challenges of **distance from markets** for a significant number of home-based businesses.

In the 'under the radar' analogy, it is not only the way home-based businesses can be invisible to agencies that could be holding back their prospects. It is also their **lack of visibility to one another**. Businesses with visible premises in business locations have little difficulty finding one another. Home-based businesses do face this difficulty. Opportunities to sell and buy services to/from home-based businesses are therefore limited, as are opportunities to collaborate and expand by creating partnerships at all levels.

LACK OF STRATEGY

There is a serious lack of strategic commitment to home-based business at all levels, our research has found.

Central government: A clear recognition of the changing pattern of work comes from the Lyons review of public sector relocation (HMSO 2004), available on the Treasury website: 'The working environment is evolving, with home-working, hot-desking and other kinds of flexible working becoming more common.' This comment, referring to future work patterns of civil servants, is not so far reflected in government strategies relating to support for home-based businesses.

The Small Business Service website has only two mentions of home working, teleworking or home-based business -one in a report on work opportunities for people with mental illness, and one briefing note for employers about employees working from home

ODPM's Sustainable Communities Plan does not explicitly feature home-based business as a theme. The DTI's Small Business Service is not currently tracking home-based workers, or including them in any policy documents. The main action is the Low Pay Unit provision of support to identify groups of exploited mostly urban home-based workers earning less than the minimum wage.

The Department for Work and Pensions has produced a leaflet for people who are thinking about working for themselves, but it does not mention working from home.

PUBLIC SERVICE AGREEMENTS

PSAs published on the Treasury website, and updated in 2004 do not explicitly mention home-based working but the following could apply to rural home-based businesses (our italics):

DEFRA 'Reduce the gap in productivity between the least well performing quartile of rural areas and the English median by 2008, demonstrating progress by 2006, and improve the *accessibility of services* in rural areas'

DTI 'Build an enterprise society in which *small firms of all kinds* thrive and achieve their potential, with:

- an increase in the numbers of people considering growing their business
- an improvement in the overall productivity of small firms
- more enterprise in disadvantaged communities'

DTI (with ODPM and the Treasury) 'Make sustainable improvements in the economic performance of all English regions by 2008, and over the long term reduce the persistent *gap in growth rates between the regions*, demonstrating progress by 2006.'

Regional Development Agencies: The responses to our survey from RDAs were largely disappointing, demonstrating a lack of overall strategy on this issue in most cases. RDAs are increasingly seen as drivers of economic development and regeneration. Therefore their knowledge and response to the issues of home-based working is critical. Yet half admitted not using information on home-based working to inform their economic strategy. Another said that they thought that research on the regional economic strategy ‘may pick this up’.

Half of the RDAs do not use information on home-based working to inform their economic strategy

A notable **exception was SWRDA** which has been working on developing a methodology for tracking and supporting home-based working. It was also able to signpost networks, support projects and employers using home-based workers in the region. Most impressively the information it provided was gathered from a number of departments within the RDA, demonstrating an ability to mainstream thinking about home-based working in the south west. It is worth noting that, according to census data, levels of home-based working in the region are high both in terms of proportion of the working population (11% overall and 13% in rural districts) and of numbers (more than 250,000).

We found that those currently devising the handover to RDAs of SBS responsibilities were vague about the definitions of small businesses that they would support. They were likely to quote without reflection the ‘value added’ model of segmenting business support. Without adaptation to meet the needs of rural home-based business, this model runs the risk of **disqualifying** from serious support almost all such businesses. This lack of a strategy for such businesses could have serious consequences for rural economies ([see page 25](#)).

Small Business Service: It is striking that a search on the SBS website reveals only two instances of home-based working, teleworking or home-based business. One is in a report on work opportunities for people with mental

illness (Mind/Social Firms UK 2004), which dismisses home working as very poorly paid, labour intensive and offering few entitlements. There is also a mention of employers whose employees work from home.

The SBS household survey of entrepreneurship (over 10,000 interviews in 2003) does also make one mention of home-based businesses, finding that 33% would be most likely to start their own business from home, ‘no doubt because this will reduce business overheads significantly’. This point does not seem to have led to further analysis of the home-based sector.

Our research indicates more complex reasons for rural home-based businesses to choose a home location. Interviewees expressed an ongoing strong motivation to work from their rural homes. The SBS 2004 business plan emphasises that it needs to ‘think small’ to connect with its clients, but the fact that microbusinesses may be home-based is not considered. Again the theme stays under the radar, as shown by the fact that currently the SBS **does not track** how many home-based businesses are supported through their services.

Business Link operators: Information on home-based businesses available on the current Business Link website is heavily weighted towards highlighting regulation and barriers to home-based businesses. Its signposted planning portal for business premises makes no reference to the possibility of using your home as a site for a business.

Individual advisers indicated to us their awareness that there are unknown numbers and types of home-based businesses ‘out there’, and some are connecting with a number of rural businesses who contact the service. This does include visiting the home-based businesses in some instances. Organisationally there is no obvious move towards finding out about home-based businesses or developing any strategy to support them.

The Small Business Service does not track how many home-based businesses are supported through its services

ANNE HANDLEY – SCIENCE PUBLISHING

Anne Handley lives and works in Mytholmroyd, West Yorkshire. Her business, AWHEdits, was founded on the back of her 20 years' experience in science publishing.

Having worked from home in a remote working trial with her last employer, she was made redundant in 2001 when high level jobs like hers were outsourced to the Philippines. She decided to set up her own business in the same field.

Anne has been a main co-ordinator of Calder Connect Co-operative (3-C – [see page 39](#)) as a volunteer. 'I've received a lot back from 3-C as well,' she says. 'Broadband arrived here earlier than it would have done, thanks to 3-C's campaigning. It is essential for my work.'

Being a member of 3-C has expanded the circle of people she knows who are in the same work situation as her, she says. 'We **support each other**. I've even found another information consultant member of the co-operative and already we have put in a couple of bids for work together.'

Anne is involved in a number of spin-offs from 3-C. 'I'm putting my organisational approach together with more technically qualified colleagues and we're planning what we're calling an **engine room**, based on an empty building in our nearby market town Hebden Bridge. We want to convert it to a hub. It'll provide meeting rooms, hot desking for home-based businesses, and a place to meet, network and access training courses. I've also built up trust and confidence in, for instance, web designers who are members of the network.'

'I went to chamber of commerce evening meetings for small businesses, but just didn't meet anyone else in the same situation as me, anyone useful for networking. There wasn't a service provider perspective'

Anne says that her experience of 'normal' business groups reinforced her sense that a more appropriate project like 3-C was needed. 'When I became self-employed, I went to chamber of commerce evening meetings for small businesses, on business planning, tax issues etc. I just didn't meet anyone else in the **same situation** as me, anyone useful for networking.'



Anne Handley, a freelance science publisher in Calderdale, initially worked from home in a trial for her last employer before setting up her own home-based business: 'We support each other here, bidding together for work'

Local authorities: In a survey of economic development departments of 145 rural districts, we found only four doing any research into home-based workers in their area. 54% of respondents admitted not using information already available on home-based working trends to inform any of their policies and strategies. We were told that it is not compulsory for a local authority to do anything to support its local economy.

However, the Local Government Act 2000 enables a local authority to do what it considers is likely to achieve the promotion or improvement of the economic, social or environmental well-being of their area.

Many authorities do provide support through routes not obviously labelled economic, eg trading standards and environmental health. Selby district council in Yorkshire has a helpful guide to running a home-based business on its website, and Horsham runs an annual MicroBiz fair, examples others could emulate. But overall, support for home-based business is very limited.

*'Councils should consider and act on factors that would produce a sustainable economy and labour market'
Audit Commission 2005*

The new 2005 draft comprehensive **performance indicators** issued for consultation by the Audit Commission, may start to change this. It gives a helpful framework into which local authorities' strategy for home-based business can be placed, in section 5.1.1: 'Evidence is required that the council has holistically considered and acted on factors that would produce a sustainable economy and labour market.'

Enterprise Agencies: We found evidence of enterprise agencies grappling with issues relating to home-based businesses, but not necessarily being supported by the systems of funding and structures they work within. Pioneer projects such as one which recruited over 1,000 volunteer business mentors over four years (both specialists and geographically organised) are still only funded one year at a time via the Small Business Service's Phoenix fund. The Step Ahead Research report on homeworking in the south east of

England (cited frequently in this report) was commissioned by West Sussex Enterprise Centre.

Although the **Prince's Trust** does not explicitly discuss home-based working, the holistic design of its support projects for young people could provide a useful model for other agencies to copy. Teams of up to 15 young people go through a shared set of experiences for 12 weeks designed to build confidence and develop skills. They are supported by mentors. A major partnership with the Royal Bank of Scotland supports a holistic set of measures, including supplying business mentors from within the bank.

START UP BUSINESSES' CHOICE OF HOME PREMISES

Our case studies and the Step Ahead Research report show many start-up businesses working from home. These often turn into mature businesses still working from home.

The Step Ahead Research report on south east England showed nearly 70% of home-based business very unlikely to need new premises over the next five years.

Projects, enterprise agencies and specialised schemes to support both start-up businesses and the self-employed need to be aware they will have a high proportion of clients who are working from home. Support for such start-ups needs to be 'home-based' proofed – it does not need to be separate, but it must not exclude hard to reach groups such as those working from home. In rural areas, planning regulations and lack of nearby office space are likely to make this even more likely.

THE RISKS OF INACTION – TWO SCENARIOS FOR 2010

The status quo	Home-based business sector fully supported
Emphasis on staff numbers and premises	Emphasis on turnover, sub-contracting and sustainable property use
Home-based businesses working alone in isolation	Home-based businesses working with each other
Lack of knowledge of each others' existence	Local resources help to create easy connections
Feelings of isolation	Isolation busted
Nowhere to meet each other or clients	Vibrant hubs in nearby market towns
Rural support underfunded	Rural support has adequate resources
High growth home-based businesses unknown to agencies	Pro-active seeking out of high-growth home-based business
Support aimed at staff expansion and workspace premises	Home-based business support needs catered for
In-migrants reluctant to relocate to area lacking business buzz	Home business networks and quality of life advertised to potential newcomers
Support based on advice on how to do it all in-house	External support enabled for defined period, mentoring by experienced practitioners

Useful business support should include mentoring by experienced practitioners



In rural areas, planning regulations and lack of nearby office space make working from home even more likely

4 PIONEERING PROJECTS

Who is trying to solve the problem of lack of support for home-based businesses in rural areas? We found little evidence of action on the part of mainstream agencies. But a handful of projects are pioneering support for the home-based business sector. Here we report on what they do

IT HAS been down to a small number of **time-limited projects** to make an impact in home business support. These projects, usually funded by a combination of special grants and revenue from membership, all contain useful pointers for other areas to learn from. They have been path-finders in their own right.

Home-based businesses are supported in variety of ways through many projects. Wired Wessex, Wired Sussex and other internet connecting networks are likely to have many home-based members, but they do not currently track them.

The national Women in Rural Enterprise (WiRE) network provides significant benefits to its members, including access to finance from a women-friendly part of HSBC bank, training courses and an annual conference, but they do not focus on whether or not members work from home or consciously support home-based business activity. The three case studies below were chosen to cover a variety of geographical areas, to include one with a number of paid staff supporting activities, with another run almost entirely by volunteers.

WHAT MAKES THESE PROJECTS DIFFERENT?

These projects and ones like them are **true networks**, seeking to facilitate and forge long-lasting connections between home-based businesses. Our cases and interviews emphasise the value of person to person networking and tailor made support. This support can come from paid central staff or from other members of the network.

WHAT HOME-BASED BUSINESSES SAY THEY NEED

- Security of knowing there's someone they can **trust** to help/advice them
- **Mentoring** by people who've faced similar issues and solved problems
- **Connection** with people in a similar position
- **Social networking** from a **business** perspective to help reduce isolation
- Signposting to **responsive financing**, especially for one-off projects
- Understanding that growth comes through **sub-contracting**, not necessarily through creating full-time employment
- Possibility of **trying** equipment or software before they buy
- **Hot desking** opportunities or possibilities of **renting** a workstation for people starting out
- Help in **setting up** new computer systems
- Reliable **IT support** if their system goes down
- Accessible **meeting rooms** to be hired for short periods
- A '**virtual office**' telephone answering system and a place to take **deliveries** when they are not at home
- **Marketing** support and advice, perhaps on a joint basis
- Signposting to **reliable** book-keepers and other relevant sub-contractors.

Two of the three projects were set up and grown entirely by **members themselves**, not existing agencies. Digital Peninsula Network and 3-C in particular were founded on huge amounts of volunteer time. They have both struggled to find funding but are making good headway in getting their members' perspectives heard in high level strategic discussions.

The impetus for their creation varied. In Cumbria it was the shock of the impact of foot and mouth disease to the rural economy. In the upper Calder Valley it was the realisation that other towns might get broadband and leave them at a big disadvantage. In Cornwall it was a realisation of the existence of each other and the need to start the campaign for broadband in Cornwall.

COMMON FEATURES

The three case studies visited for this research shared certain common features that future initiatives may wish to learn from:

- Funders need to recognise **business consequences** of starving these organisations of essential funding in areas where mainstream services do not deliver effective support for home-based businesses
- Benefits appreciated by members are not so immediately obvious to funders. Projects might have helped market themselves by doing a wider and clearer **impact analysis**
- The typical requirement to be **self financing** without grant within three years is unrealistic, given proportions of low paid/unemployed members
- Successful members of the network can benefit from links to fragile start ups as local/lower cost suppliers of services. Linking businesses of all levels of **strength** is effective
- Clusters of businesses in a **mixture of sectors** can and do benefit from working together
- Working from home is a strong **glue**, creating a shared experience that links diverse businesses effectively
- Large reserves of **energy/commitment** are common in a significant number of individual 'champions' in each network
- Without support, these leaders risk **burn-out** with no certainty of replacements
- **Mutual respect** for fellow practitioners in all sectors is typical
- There is a need to explain how a network is as strong as its members to people who **joined later** and did not take part in initial formation efforts
- Importance of understanding **funders' requirements**
- Importance of building bridges with mainstream agencies, **not alienating** them
- Understanding members' needs as they **change** over time (eg when broadband arrives)
- Participants need to **recognise and celebrate** the full value of networks' services – these are often overlooked or taken for granted.

CASE ONE: DIGITAL PENINSULA NETWORK, CORNWALL

This private sector-led business network in West Cornwall has used EU Objective One and other funding to link up over 170 micro businesses – most of which are home-based. Digital Peninsula Network encourages face to face networking and offers members training, newsletters and a hub drop in centre with 'second office' facilities

A GROUP of creative, knowledge and ICT professionals with clients worldwide, but working from their homes in Cornwall, got together in 1999 to form a collaborative network. Initially meeting monthly at Penzance Arts Club with 12 attending, the group soon became a formal network with a constitution and has grown ever since.

Today Digital Peninsula Network is thriving with a central hub in Penzance and over 170 members. The network has been the spur that has created a generation of teams of home-based micro businesses adept at grasping market opportunities.

Although there are staff employed to support the network, it has grown out of practitioners' self-identification of needs, enabling people at different stage of business development to collaborate. There is a varied membership, ranging from the already successful (eg producing animation for the BBC or international newsfeeds for Reuters) through to new business start-ups. Most are home-based or frequently work from home.

The range of high specification equipment in the network's centre helps members share costs and 'try before they buy' (eg scanners, video editing facilities, digital cameras and projectors). Members can specify their training needs. 'We like to be ahead of the game, helping members use equipment they can get themselves when their business grows,' says Lynda Davis, the director. 'As a business support project we also need to act in a way that can attract, represent and meaningfully support businesses with what they really need.'

The centre's early broadband access enabled members to jump ahead of that trend. Unsurprisingly many signed up for ADSL when it later arrived. 'Today we are pioneering wireless working. We also plan virtual office and webconferencing,' she says. 'We try to give our members access to the latest technology and software early so that they are not disadvantaged by our remote rural location or by their size as small businesses.'

The network has helped micros that were previously invisible from one another to collaborate and win bigger contracts by forming ad hoc teams



DPN member Jayne Herbert is a 'portfolio worker'. She has a part time job with Cornwall Wildlife Trust and provides websites for local environmental groups the rest of her time: 'DPN's training and centre facilities have enabled me to do this from my home base'

AT A GLANCE

What is it?

Digital Peninsula Network (DPN) is a private sector led membership network of over 170 micro-businesses. DPN estimates that at least 160 (around 95%) are home-based. This pioneering network has been active since 1999. It was the first to offer micro businesses use of broadband before ADSL came to Cornwall

Location

The network has a resource centre/hub, in the heart of the market town of Penzance, Cornwall. There are three full time and three part time staff/contractors managing funding, administration and technical support

How it works

Members pay a minimum fee of £60 per year. The network uses email newsletters, provides both on-line and physical support services and also hosts or signposts training and networking events. This enables members to increase turnover and strengthen their businesses

In partnership with other agencies, potential clients or employers, DPN actively provides information on work opportunities to its members, while publicising their skills online and with a printed directory

Members range from start-ups and some unemployed to major micro-businesses with turnovers of at least six figures. A key strength is the way the start-ups are linked to members with established businesses who value their services' proximity, cost and quality

Funding

Original funding from January 2000 to September 2001 of £83,000 came from the European Regional Development Fund (Cornwall had Objective 5B status). This was matched by a variety of public and private sector organisations, including county and district councils, local economic support agencies and BT as well as both in-kind support and subscriptions from members. Total cash funding amounted to £128,500. One innovative form of in-kind funding was advertising space donated by the local paper

In March 2001 a successful bid to the DTI's Innovative Cluster Fund via the South West RDA for £347,000 enabled the network to kit out its centre with the latest technology, including broadband, ahead of the rest of Cornwall

Current funding from August 2002 to November 2005 amounts to £236,000 from ERDF via Objective One. It is matched by SWRDA, district and county councils, BT, sale of services, and the membership. Total cash funding for this period will amount to £428,800

Results

From August 2002 to May 2005 (target figures are to November 2005):

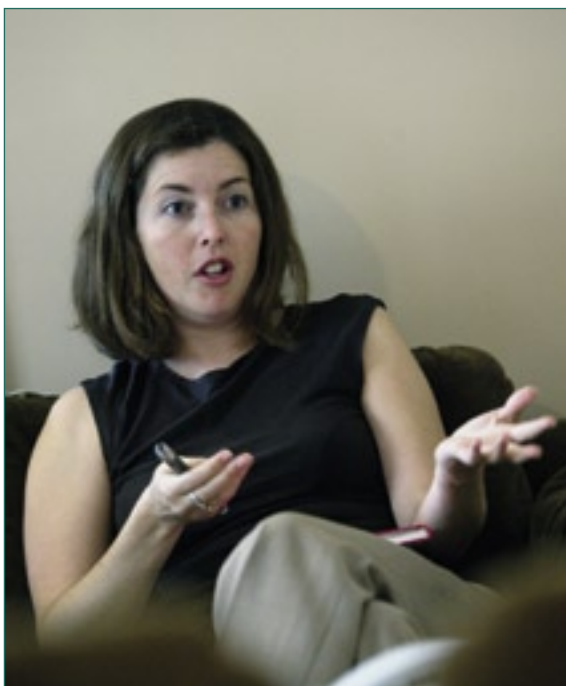
- Gross additional sales (members' turnover up by): £3.8 million (target £3.42 million)
- Number of full time jobs created directly: 5.5 (Target 2)
- Number of new full time jobs created by members' businesses (over 30 hours per week): 49 (Target 58.5)
- Net additional GDP (number of net additional jobs x £23,000): £1,127,000 (target £1,345,500)
- Number of full time jobs safeguarded within members' businesses: 48 (target 41)
- Small businesses assisted, signposted or received technical support by DPN staff/members: 350 (target 300)
- Number of newsletters sent out: 58 (target 25)
- Learning opportunities (members who have attended training, mentoring, seminars): 248 (target 290)
- Number of new businesses who have joined: 160 (target 165)
- Value of 'in-kind' hours contributed to DPN by its members: £35,766 (target £37,500).

WHAT WORKS

The network has helped micros that were previously invisible from one another to **collaborate** and win bigger contracts by forming *ad hoc* teams. These loose partnerships enable members to bid for bigger multi-disciplinary projects than any could tackle alone. Teams often dissolve at the end of a project.

‘DPN has been a catalyst,’ says one of the founding directors Kevin Brownridge, a creative industries and regeneration consultant. ‘Because we are all connected, we can offer clients services that once might have made us nervous. If someone wants a website I know exactly who to get in to help. Before DPN that wouldn’t have been easy. Many of us were subcontracting to designers in London, now we do it with local businesses.’

The network also keeps in close touch with **members’ needs**, which are always changing. Lynda Davis’s team carries out regular surveys to track these needs. One survey changed the whole training schedule. ‘We assumed members wanted to learn about specialist software but found they prioritised business training, marketing and time management,’ she says. DPN has also bartered, for example bringing in time management trainers in return for getting the trainer website development training.



Other initiatives identified as successful by DPN and its funders include:

- mixed **business and social events** – eg summer barbeques to encourage face to face networking (in 2004 over 70 people attended a single event)
- easy to access café facilities, outdoor seating and sofas inside encourage use of the centre for meetings and **networking** – a popular town centre alternative to visiting each other’s homes
- making **alliances** and key contacts in other business support organisations – letting them use the centre as a base and emailing their own news/services to members (Lynda Davis: ‘If other bodies perceive you as a threat they may obstruct projects and funding. As friends they promote your interests’)
- an informal **partnership** with a local theatre, providing a strategic review of its IT systems in return for use of this venue for socials events
- strong link with local **training providers** at all levels. Network Training, which provides ICT training for the long-term unemployed, can refer clients wanting to set up their own business to DPN at minimum costs and with continued support
- avoidance of duplication – networking actively with related organisations allows each to specialise and **add value in partnership** to each other’s core service (Lynda Davis: ‘Network Training does basic ICT, Let’s Do IT goes to people’s homes in rural areas. We signpost our members to these services and host the high end courses in our centre.’)

Lynda Davis, director of Digital Peninsula Network

THE FUTURE

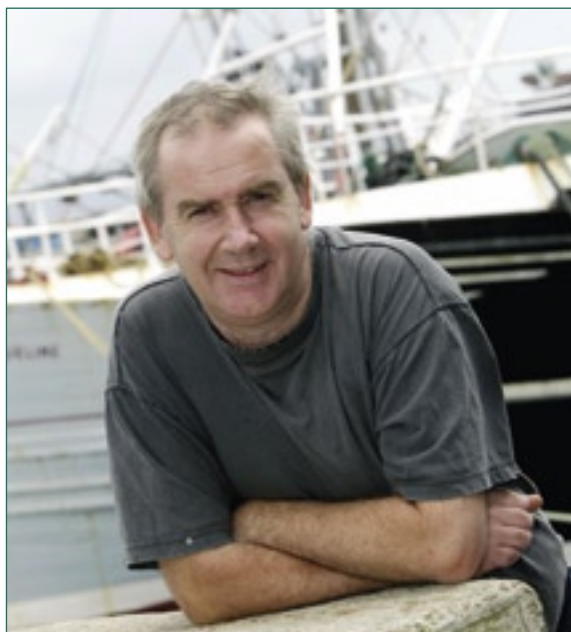
Further income-generating schemes now under-way include 'ICT Scout', developed voluntarily by a member who sets up and maintains databases for international companies. This is an **on-line marketplace** for IT and media work, ranging from local shops needing a website to public sector organisations needing cabling or research.

'Sustainability should be applied to members' businesses. The idea that DPN *itself* should be self financing is ludicrous – a third of its members are unemployed'

'All members' skills sets will be registered on the site, and any project will automatically get emailed to those with relevant skills,' says Lynda Davis. 'The key is to get both private and public sector organisations to send us opportunities, and for sufficient DPN members to respond. We're attempting to link supply and demand, one without the other doesn't work.'

Member Kevin Brownridge argues: 'DPN was required to be self financing, which was ludicrous with a third or more of its members unemployed. Its sustainability target should have been for members own businesses. DPN should both help businesses that are just starting off and support the sustainability of established businesses.'

Kevin Brownridge, one of DPN's founding directors



The original target for the current project was for £1.8 million of income that could be attributed to DPN membership. The final six months of the project, an extension to November 2005, is projecting a level of members' sales of £4.8 million – an additional £3 million. By the end of May 2005 the network had achieved over £3.8 million sales attributable to membership, in return for £289,000 in cash funding during the period, matched by in kind and over £45,000 from members.

As with other projects that support home-based businesses, the key question is: can the economic advantages they create be sustained if or when funding is withdrawn?

CONTACT

www.digitalpeninsula.com

01736 333700

DPN member Greg Dyer collaborates with his business partner, also home-based, and other DPN members, on a variety of joint projects



CASE TWO: RURAL WOMEN'S NETWORK, CUMBRIA

The economy of Cumbria is emerging from the 2001 foot and mouth outbreak in a very different shape. Rural Women's Network, initially set up to support women in farming, now links up and supports hundreds of members in a wide variety of business activities

AT A GLANCE

What is it?

More than 3,500 women in Cumbria are on the Rural Women's Network (RWN) database of contacts, with 276 rural women's businesses featured in its on-line business directory, most of them run from home

Location

There are staffed offices in Penrith, and services are provided across the county. Local networking groups meet in eight different parts of the county: Brampton, Broughton in Furness, Cockermouth, Egremont, Kendal, Kirkby Stephen, Penrith and Wigton

How it works

RWN supports women in rural parts of Cumbria to start and develop their businesses. They use a variety of techniques including an information sharing website, facilitated networks, mentoring, business advice, training and celebration of achievement through awards, get togethers and events

Funding

The network's core costs were funded by a National Lottery Community Fund for the north west region grant of £285,000 for three years from September 2001 until August 2004. Various other sources of funding, including Northern Rock, EQUAL and Phoenix funding also contributed. RWN also works in partnership with Business Link for Cumbria, which contracted out the delivery of a start-up support scheme (POINT) to the network and a number of other enterprise agencies. Redundancies will occur in 2005 unless more core funding is found

Results

Outputs so far recorded since 2001 include:

- Over 2,500 members receiving information
- 798 Women taking part in networking opportunities
- 348 Women taking part in training events (personal development and business skills)
- 400 Women receiving training bursaries
- 366 Receiving one to one business advice
- 65 Business start-ups
- Over 100 jobs created
- 29 Women supported through the business link franchise point programme, to obtain a £1,000 grant towards business start-up costs.

CONTACT

www.ruralwomen.org.uk
01768 210997



Gill Pickford, administrator of Rural Women's Network, is part of the easily accessed support team

CASE THREE: CALDER CONNECT CO-OPERATIVE

Calder Connect Co-operative (3-C) in West Yorkshire was one of the UK's first community-based internet service providers. A flagship member of the Community Broadband Network, it has chosen to extend its impact well beyond its technical service. Its presence has uncovered a cluster of home-based businesses which it helps to collaborate, with face to face as well as virtual networking

AT A GLANCE

What is it?

3-C is a member-owned co-operative, costing £1 to join. Set up and maintained mostly by volunteers, it buys wholesale broadband from the Phone Co-op and sells it on either as wireless or wired ADSL to its members at discounted prices, typically £15/20 per month for 1Mb wireless, or 512k wired ADSL. It has over 500 members in around 300 households

Location

3-C is a modern 'virtual' organisation. It is available to residents in the Upper Calder valley, West Yorkshire, which includes the market towns of Hebden Bridge, Mytholmroyd, Todmorden, Sowerby Bridge and nearby Ripponden. This represents a population of around 50,000

How it works

The co-operative owns a share in the broadband provider, thereby reducing costs and giving the community the potential to control future developments. A paid administrative assistant supports a range of technical volunteers who install wireless or wired broadband in people's homes and provide technical support. There's a growing number of wireless points fixed to local towers and high points in the hilly Calder Valley, so the number eligible for cheaper, higher performance wireless is growing

Funding

3-C is run mostly by volunteers. A Community Broadband Network presentation summarised this as 'sweat equity'. Apart from sales of broadband, which have yet to break even, it is funded by a mixture of loans from ICOF (Industrial and Common Ownership Fund), and grants from local councils, and West Yorkshire Social Enterprise Link. A spin-off hub project, involving members of 3-C, with a working title of the Engine Room, has received £10,000 from social entrepreneur support agency UnLtd to develop plans for further networking, training and skills sharing

Results

By the end of December 2004 the co-operative had 530 members. 250 had signed up to buy broadband, 30 through wireless, 220 through wired ADSL

CONTACT

www.3-C.coop
0845 4561793

Our technical engineers are the equivalent of community development workers when they go into people's homes



Hebden Bridge pub the Shoulder of Mutton is now one of three wireless hot-spots

LEARNING FROM THE CASE STUDIES

The case studies above show the importance of providing a network that home-based businesses can **trust**, even if they do not need to use its services regularly. Building up this trust, and the confidence of self-employed people who had often moved from the comparative security of paid employment, takes time.

The social aspects of support need to flow from the quality of the business-related support. It is vital to **evaluate** projects in a way that fits with the funders' agenda. If, as in Cornwall, many different funders require you to track growth in revenue, you need to do so.

All three case studies were apparently generating large amounts of **social** and **community capital** that was not being measured in any way. They were supporting the development of sustainable communities through reduction in commuting, effective use of buildings and encouragement of local purchasing.

As they were supporting many diverse small businesses, they were also **spreading the risk** of economic failure. These benefits need to be recognised. Techniques such as social return on investment, developed by the New Economics Foundation (Aeron-Thomas et al 2004) could capture the wider benefits of such projects and help make the case for continuing support from funding bodies.

One way of moving towards mainstreaming was for the particular delivery style of a network to be recognised as being appropriate for a **hard-to reach** group. This was the case with the POINT business start up scheme franchised out to the Rural Women's Network by Business Link Cumbria.

Digital Peninsula Network also provided a venue and clients for the high value-added training supplied by Cornwall's 'Let's Do IT' scheme.

What was surprising about these cases was how home-based businesses had been working away, living near each other for years, and not known of each others' existence until the project introduced them. Although they all had websites, and often had very ICT-literate members, **face-to-face networking** was valued more than chatting on a website.

We found a number of similarities between the case studies. These included:

- all projects had members
- all shared the view that traditional business support isn't what members want/value – they were filling a real gap
- existence of a network has given members confidence to relocate and take risks
- intense volunteer input was required at times, which risked leading to burn-out
- members wanted to meet and talk to people in the same position as them face-to-face
- projects survived on uncertain funding, with a risk of a short life span, but this also created flexibility and rapid response to circumstances
- projects were all offering something very different to mainstream providers, so found difficulty in accessing mainstream funding
- support, training or broadband installation was provided in a variety of ways including within members' homes
- they have all built alliances with mainstream deliverers, who trust them more once they are well-established.

Local designers and photographers are not only significantly cheaper, they are better quality and are easy to see face to face. Together we are like a team. We download work from cities and keep it here

In this section we propose a practical toolkit for local authorities and business support agencies wishing to support home-based businesses

THERE ARE three key ingredients in effective support for home-based businesses in a district. First is an **evidence based approach** to identifying them and their needs. Second is a joined up and strategic commitment – with goals against which the performance of those responsible for providing support can be **measured**. Third is the use of appropriate means of support, **tailored** to the realities of home-based working. So a step-by-step approach is necessary. We suggest the one summarised in the box overleaf.

HOME-BASED BUSINESSES AS A SECTOR

Business support and economic development in a rural context often sees business defined heavily by **sector**. Agriculture and tourism are prominent examples of highly visible business sectors. Invisible home-based businesses rarely get a mention in strategies and rarely receive business support of any kind. Yet as we have shown, home working is the norm for almost 12% of the working population in rural districts – often much higher proportions in many districts.

One reason for the lack of infrastructure to support home-based businesses may be that they are seen as too small and too diverse – too hard to help. This is understandable for practical reasons. But if agencies were to see them as a sector in their own right, making business support available would become much simpler.

Farms diversifying into bed and breakfasts are often generating relatively small turnovers, far less than many home-based businesses. Yet the visibility of farm diversification has enabled support agencies to classify them as a sector.

Our research found that home-based businesses see themselves having lots in common with other home-based businesses. It is not what they do

that defines this shared experience but **how they do it**. Whether they be making and selling craft or running high level remote IT support, they share the experience of working from home.

Defining home-based business as a sector in its own right would provide an important opportunity for local authorities and agencies to make a real difference to these businesses' prospects.

Tourist information offices would not be required to become self financing within three years...

ONCE ON THE RADAR

By defining home-based businesses as a sector, local authorities and agencies can begin the task of analysing this sector's **shared needs**.

Activities that help to make home working **visible** – both literally (in terms of face to face contact) and in policy terms (appearing in strategies) – will in turn help to persuade home-based businesses to engage with agencies.

Methods to make support for home business visible within a district could include:

- running items in the **local press** announcing support for home business and publicising fact of any council workers teleworking
- publicising supplementary **planning policy guidance** that clarifies support for home business
- clarifying and **reassuring on fear factors** (eg fear of business rates) – stating this in councils' district wide newsletters
- exploring links with partner agencies such as BT, business links, chambers of commerce – asking them to invite contact with home-based businesses, offering them a clear range of assistance if they choose to get in touch

SUPPORTING HOME-BASED BUSINESSES – A CHECKLIST FOR LOCAL AUTHORITIES AND BUSINESS SUPPORT PARTNERS

- 1 **Gather evidence:** identify numbers and trends from a variety of sources: VAT registrations, early broadband adopters, users of existing hubs, virtual offices
- 2 Create **ways of connecting** with home-based businesses to help your research: broadband adopters, local grass roots networks, send messages via virtual networks, use village shops, pubs, multi-service outlets as message centres, connect with social enterprise initiatives where they exist, use libraries and local media. Identify local home-based employees as well
- 3 Establish and describe a **profile** of home-based businesses to influence future work. Consult/ disseminate via existing networks, both physical and virtual, identify priority needs
- 4 Recognise home-based businesses as a local business **sector in its own right**, one based on means of working not on product/service offered
- 5 Create a **policy** with measurable **outcomes** as well as outputs: examples could be increase in local purchasing/sub-contracting, to keep wealth in the local area, increase in business turnover, ability of home-based workers to form collaborative teams to work on larger-scale projects. Support significant level of mentoring both within the district and in collaboration with other areas
- 6 **Join up** this policy with agencies working in planning, environment, housing and transport: a home business policy should cover not only employment objectives but transport reduction, sustainable development, and the development of 'countryside capital'. A variety of agencies should sign up to support the policy with clearly agreed practical roles
- 7 Help to **establish a network** of home-based businesses which can operate at least on a basic level without funding
- 8 Connect home-based businesses with home-based **employees** in an area. See if any facilities can be shared or jointly delivered
- 9 Look for one off project funding to help with the **start up costs** of such a network. If grants are available that can support a more substantial intervention (eg funding of a project with staff and premises), be careful to focus on the exit strategy. The aim is to help home-based businesses help themselves/each other.

- ensuring **district websites** feature a welcoming stance on home-based businesses, with answers to frequently asked questions and key contact details
- providing information about support to home business in **libraries** and other information points used in the district
- ensuring all **relevant partners** – local enterprise trusts, development trusts, prince's trust etc – have support information

- have a **named officer** with contact details available to be first port of call for queries.

From our research we suggest the following as examples of support needs that could be offered in some form:

- signposting to **networking events** with others in similar positions – both isolation busters and problem sharing
- local, regional or even national **system of**

- 10 Look at ways in which a **website** can be funded to provide virtual back up for the network – although websites are no alternative for face to face networking for often isolated rural homeworkers
- 11 Identify **champions** – home-based businesses with the interest and drive to help set up and run networks. The most sustainable and effective business networks are those run by real businesses, not by public sector agencies (whose role should be to enable and support them, not to lead them). See www.workhubs.co.uk for more on this
- 12 Identify appropriate **locations for 'hubs'** to support these networks: venues for face to face meeting, whether these be cafes, extended shops, existing cultural or other centres. It is important that they be natural places the home-based businesses would want to go, with the right feel. Market town centres are often ideal. NB Do not use business parks and industrial estates – these have consistently been found inappropriate and unappealing by home-based businesses. See www.workhubs.co.uk
- 13 Perform a **mainstreaming test**: check that ongoing business support and facilities are equally available to home-based businesses as they are to traditional workspace based business
- 14 Test for **inclusivity**. Ensure that any support or funding for a network is made conditional on its services being available to all kinds of home business – low income and fragile as well as well established. Ensure that there is no discrimination based on gender, race, sexuality or differences of ability
- 15 Engage the **private sector**, such as banks, training providers and estate agents to set up or become involved in hub activities, provide mentors, and track levels of interest from potential in-migrants
- 16 Once the network is well-established, help it **sell your district** to potential relocating businesses. In-migrating high earners, who can provide a welcome boost to local GDP, are more likely to chose your district and to work from home rather than commute to separate premises if they see a well-established network and culture of home base business in the area
- 17 Become a **two-way channel** for useful information for and possibly from potential **in-migrants**, liaising to get up-to-date information from estate agents, solicitors, educational authorities. Also building up a profile of in-migrants' requirements from the same sources.

room booking for meeting clients or each other. A project to enable access to spare capacity of rooms in buildings such as development trusts, enterprise agencies and local government buildings could provide those organisations with a source of revenue and meet this need

- **mentoring** for short periods on specific issues, from others with experience. Build on the national federation of enterprise agencies' business volunteer network
- access/signposting to standard '**best practice**' contracts, policies etc
- finding them the **right people** to employ or contract work to (key contacts)
- connecting home-based businesses with any nearby larger **premises-based** ones. This could be a role for business brokers working within local strategic partnerships
- whatever local research uncovers as a **priority** for home-based businesses.

In Cornwall, one of the key successes of Digital Peninsula Network ([see page 34](#)) was the way it connected together the successful micros with the more fragile start ups. The benefit to young businesses in connecting them to those who may want to give them work nearby is fairly obvious to everyone. What is not always apparent (but Digital Peninsula Network found) is that there are major benefits to the high growth businesses too.

If a project or activity helps find them high quality service providers – IT support, web design, marketing skills, book-keeping, information gathering – they can not only cut their costs (using home-based providers not companies in far off cities with higher overheads) but gain access to local face-to-face suppliers, reducing travel needs and the sense of isolation from centres of business. This also plays its part in creating or recreating vibrant local communities.

By offering relevant and attractive support, authorities are creating an incentive for home-based businesses to make contact with them. This is an opportunity to **gather evidence** on:

- the scale and significance of home-based businesses' contribution to the local economy
- any hidden clusters (eg of knowledge, creative or it professionals)
- the businesses' skills needs (to inform training that is made available)
- their employment/contractor needs
- links to higher education (eg opportunities for graduates to get contracts from existing high earning micro-businesses in the area).

MAINSTREAMING – AN URGENT NEED

The examples above show what happens when support for home-based business is not mainstreamed. When it is only available as part of a special project or projects, information is often required in a piecemeal way. And few agencies ever think to share this evidence with one another. This is because they are all working to their own project's priorities.

With no shared sense of a local home business sector and no economic development officer or Business Link operator tasked clearly with coordinating and enabling support for the home-based sector, support is patchy at best. The risk is that home-based businesses feel they are asked to give more than they get, for example by being encouraged to:

- sit on project committees and chair meetings
- help staff centres/update websites/write email news
- meet agency staff
- provide output information that is time-consuming to gather.

Most stressful and time consuming of all is the process of bidding for a grant. Home-based businesses that have been involved in this often report a **deeply frustrating** experience. As one told us: 'There is often a huge lack of understanding amongst the public sector managers who deal with applications. Really worrying is the lack of transparency on how and why decisions are made – often by invisible committees and panels. We never got thanked for giving all our time up to create something they should have been doing themselves in the first place.'

Research for this report found that where support is offered, it is usually through one-off grant-dependent initiatives. These projects are asked to become 'sustainable' – sometimes literally self-financing. In the latter case, this is clearly **unrealistic** if they include members on low incomes or unemployed people seeking to become self-employed. It is also questionable that home-based businesses should only expect one-off rather than ongoing support. It is hard to imagine tourist information offices being required to become self financing within three years...

Although mainstreaming is very important, there is a risk that in some rural areas public sector agencies might over-control the process of supporting home business. Ideally it is the information gathering and **enabling** that should be mainstreamed. Getting home-based businesses themselves involved in specifying what

is needed and helping to control its delivery is essential. This may mean **outsourcing** parts of the economic development function or budgets to home-based business networks – in return for public service agreements that guarantee delivery of agreed objectives.

Our research found a very strongly held view amongst those who work from home that ‘public sector nine to five employees’ **rarely understand** their needs. Business-run networks (like Digital Peninsula Network and 3-C) in contrast have credibility because they are run by those who also have experience in working the same way.

CREATING COLLABORATIVE NETWORKS

To create a successful network of home-based businesses, it is first important to make its potential members aware that they are part of something, even if they didn’t realise it. They need to see with their eyes that there is a cluster of individuals working in a similar way **nearby**. ‘When we met regularly in our first monthly meetings, everyone knew someone else in the room. But no-one knew everyone,’ said one home-based business we interviewed. ‘It was truly exciting. We all realised for the first time that we weren’t alone out here doing this.’

There is one aspect of successful home-based business networking that can directly boost business growth, GDP and turnover: collaboration.

Where possible, support projects and interventions should help encourage home-based businesses with **different skills** to become stronger by working with each other. For example, a skilled furniture maker with a website designer, a software manufacturer with a marketing expert, a book-keeper with an accountant or a translator with a publisher. When a home-based business can team up with others, the combined strength of their skills will enable them to win bigger contracts and offer more services as a team. In many cases some functions would also otherwise be outsourced to contractors outside the area

As one business we interviewed put it: ‘I used to get graphic design and photos done by people in London and use printers in the north. Now I

use designers, photographers and printers nearby. Not only are they significantly cheaper, they are better quality and are easy to see **face to face**. Together we are like a team. We are downloading work from big economic centres into the local economy and keeping it here.’

It should be recognised that many home-based businesses choose to **remain** so, not to take the traditional ‘success’ route of expanding to bigger premises with more employees. Those who work from home usually choose to do so freely and value its benefits.

Opportunities to take on staff will be limited at least in part by a desire to retain a clear distinction between work and family/home life. This is why so many owner-managed home-based businesses, we have found, employ family members. Expansion will be made possible with more **subcontracting and collaboration**.

An attitude change is needed, a move away from a focus on the needs of business support suppliers to the needs of their customers

PRIVATE SECTOR PARTNERS

The public sector can only play a part in creating the conditions in which enterprise will flourish. It is up to the private sector to actually deliver the business benefits. Banks, estate agents and other professional service providers all have an interest in supporting business in their catchment areas. They therefore have an incentive to help support home-based business networks.

They could also gather information and statistics about home-based businesses and potential in-migrant demand, and channel that information into a central resource (for example the local authority’s website).

This private sector involvement could also enable the companies to tailor their services to the needs of this growing sector, many of whom are keen to purchase services locally but sometimes do not know where to find them.

Anecdotal evidence from estate agents in areas such as Shrewsbury is showing growing demand

for home-based working premises. There is an opportunity for the nature of that demand and support needs to be collated centrally in districts.

MARKET TOWNS AS 'HUBS'

The concept of a hub is a modern one at first glance. Hubs are places, usually in urban areas, where compatible types of business bump into one another, share facilities and attend meetings or training. They are the place at the **heart** of the local business cluster. They might be managed workspace centres, media centres, live/work developments or just particular venues where people choose to meet.

Yet this applied historically was exactly the role of the market town in rural areas. Today the purpose of market towns is not always clear. The agriculture nearby and the market days have often declined. People are shopping at out of town supermarkets and online. Yet in many cases market towns are still the place where people are most likely to meet up casually or formally to discuss work. They are also places people **go for other reasons** (to shop, eat, drink, travel from).

One of the best sources of job creation can be in-migrating small businesses who bring their work contacts with them. A thriving home-based business network will attract them to the district

So they are potentially ideal places to base relatively high cost facilities and meeting spaces which can support home-based and other businesses. Rather than try to slot support for home-based businesses into premises available on business parks and industrial estates (which often have an **alien** feel to the informal workspace experience chosen by home workers), locating a hub in the market town makes more sense.

THE BROADBAND LINK

There has been much reporting in the technology and national press of the campaigns for broadband to be rolled out more quickly to remote rural areas. Here there was – and is – an opportunity to use this process to help identify home-based businesses. This is because many of them

are likely to have a significant presence the **early adopters** of broadband as a business necessity.

Our research has found evidence of this in areas where wireless broadband has been introduced because homes are too far away from a telephone exchange that has been converted to ADSL (or has yet to be). However, in areas where residents are calling for an exchange to be converted by BT (seeking to get enough properties to 'trigger' this work), there is also likely to be a significant number of home workers. One way to track home-based businesses locally is to contact those who register for broadband.

ENCOURAGING IN-MIGRANTS TO WORK FROM HOME

It is important to recognise the factors that might help initiatives to attract high earning in-migrants into the area to play a meaningful part in the local economy (running business from and in the area, not commuting to urban work centres).

Although between 1999 and 2000 rural England experienced a net change of 103,000 people moving from urban areas (*Stepping stones*), evidence from our case studies suggests this trend is likely to be increasing.

There is some evidence that such in-migrants usually trade outside the local area. The presence of an existing network of businesses will enable the in-migrant to slot into the local economy more easily, as it will be visible.

These high earners will often assume that they can only continue to do well in business with an urban base or employer. They may be attracted to rural quality of life, but they do not necessarily connect the rural environment with **business success**.

Having a very visible home business sector in the area may change that. Projects like Digital Peninsula Network show what their members businesses do on their website, in member handbooks and in features in the local press. The project's director Lynda Davis says that 'showing the scale of achievement of local home-based businesses has helped encourage inward investment. Companies that were considering coming to West Cornwall have told us that they found the presence of our network a **decisive factor**'

HOME-BASED BUSINESSES – EARLY ADOPTERS OF BROADBAND

The percentage of home-based working customers in the first wave of wireless broadband users in Cornwall's Community Broadband Networks is estimated by the service provider to be 40%. The networks are available to areas without ADSL (phone line-based broadband) in Penwith, Portreath and St Agnes in Cornwall, as well as Buckfastleigh in Devon.

Managing director of 1st Broadband Simon Murley: 'The easiest way to come to an initial figure was the number taking up RABBIT (remote area broadband inclusion trial) grants to support their business. But we know that some subscribers were sceptical of using this service through their own choice, possibly for tax or insurance reasons. They subscribed independently.

In Penwith 27 subscribers utilised RABBIT grants to help pay for satellite kit from an overall total of 74 – 36% of the group. Murley believes that independent home-based working subscribers would easily add a further 4-5% to the total.

Initiatives to attract in-migrants to a rural district can therefore use the presence of a vibrant well-supported home-based business sector as a key influence. Supporting existing home-based businesses can be a way to add to their numbers and **grow the sector** and its strength.

Most studies of the movement of people from town to country have emphasised negative impacts, in particular on house prices. A recent study funded by the Countryside Agency looked at how rural in-migration can be a **catalyst** for economic regeneration.

Incomers stood out as having a much **higher pre-tax annual income** of heads of household – over 40% earned over £25,000 compared with 13% of long-term residents. 19% of these incomers were self-employed.

Tentative attempts to assess their economic impact showed that for every self-employed migrant, some **2.4 jobs** are created. Those working in the engineering and service sector created on average 2.8 jobs, while those in the primary sector created 0.4 jobs on average. These incomers were not necessarily producing the stereotypical age 'geriatrification'.

LINKING WITH HOMEWORKING EMPLOYEES

In the UK, 56% of self-employed people, around one and three quarter million, are home-based, as opposed to only 4% of employees (Labour Force Survey 2001). This represents nearly a million

people, but so far there are no figures available to show the incidence in rural areas.

Arguably home-based employees' needs are mainly the **responsibility of employers** – local authorities would not ordinarily be expected to assist them in any significant way.

However, with home-based working by employees expected to **grow significantly** in coming years, there is much to be said for linking them with the self-employed in some way. There are wider economic and environmental reasons to do this: making home-based working easier for employees in a district can help contribute to:

- reduced use of car
- increased security in villages – more daytime presence
- sustainable use of property – one property, two functions
- increased demand for local shops and services including post offices and schools.

Examples of ways in which employees could link with the self-employed in networks to mutual benefit include:

- shared training events
- use of more expensive equipment by both groups
- some employee-based bulk purchasing schemes open to self-employed people
- grouping together to provide critical mass for services such as childcare, shared school collection rotas etc.

LEARNING FROM BT

BT has embraced a range of flexible working patterns for its employees including part and full time home working (45,000 people have the potential to work flexibly with greater than 9500 dedicated Homeworkers). Management support of homeworking has enabled them to engage with staff to build a common understanding of the advantages and issues involved in home working. See www.wfh.co.uk

This has helped in developing a range of ongoing support services for home workers including:

- Regular individual and team meetings, virtual and physical, to avoid isolation
- On line café and chat rooms for homeworkers to keep in touch with each other
- Training and education packages on-line which can be delivered either on a one to one basis or via a virtual class
- Virtual telephone number which offers flexible call routing and voicemail
- Audio and visual conferencing with online document sharing facilities via broadband
- Detailed homeworking web site which offers advice on inland revenue and taxation issues, health and safety issues, mortgage and household insurance advice for issues related to working from home, including templates of letters
- Designated homeworker ICT helpdesk – which advises on the appropriate software/hardware packages available to homeworkers and provides a 24 hour support service
- Homeworker helpdesk for supply of specified furniture, including ergonomic advice
- Shared office space, flexi-desks, touchdown areas/hot desks and conference rooms with voice and PC connectivity. These are located in offices across the country and can be booked through a central system.

Although BT uses a range of ICT-related tools and techniques to support its homeworkers, their experience is that the aspects of homeworking that need most support are the **social and psychological** – the software rather than the hardware. Lessons can be learned from BT's approach in configuring support for the home-based self employed.

Remote working in a modern economy enables employees to work long distances from the main office. This makes it unlikely that any one employer will have significant numbers of employees working from home in one rural district. The exception to this may be in the public sector, with a growing number of local authorities pursuing home-based working to cut office costs and to promote work-life balance and staff retention.

However, if a rural area has a reasonably close market town based hub, then **networking events**, especially social and professional updating ones, can be made available to all home-based workers within reach.

Support for home-based businesses by local authorities could therefore include a review of whether projects and activities might also be made available to home-based employees in the area.

OPPORTUNITIES TO HELP SPECIFIC GROUPS

Support for home-based business presents an opportunity for RDAs to make significant inroads into addressing the Department of Work and Pensions PSA target of increasing the employment rates of disadvantaged groups.

Home-based businesses are, for example, a potential route into employment for disabled people or those with caring responsibilities. 'Vigilant caring' of the sick or vulnerable often involves a large proportion of time when the carer has to be **on hand** in case of need rather than the performance of a specific task.

In such circumstances a well-supported home-based business can provide flexible employment giving access to financial resources and social links beyond the household.