

Home-based entrepreneurs

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More and more Canadians are going into business for themselves. Fully two-thirds of employment growth since the beginning of the 1990s is attributable to persons who have created their own business. According to the Labour Force Survey, the self-employed grew from 10% of employment in 1976 to 14% in 1995. In November 1995, more than half (1,126,000) operated their business from home (see *Data sources and definitions*). (In contrast, just 9% of employees worked some of their hours at home.¹)

Pros and cons

A home office presents both advantages and disadvantages to someone launching a business (Codère, 1995). Home-based entrepreneurs incur lower fixed costs to start up a business, which decreases financial risk. The home can also be an ideal choice for those who often work outside the office. As is the case for employees working from home, home-based entrepreneurs are able to reduce the time and expense of commuting, and may save money on clothing and meals. The time saved and the flexibility in work schedule often make it easier to balance work and family life. On the other hand, working at home can create a sense of personal and professional isolation. In response, some home-based entrepreneurs have formed associations to maintain visibility and deal with common concerns.

Who operates home-based businesses?

The 1995 Survey of Work Arrangements (SWA) found that 60% of self-employed workers aged 55 or over

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Data sources and definitions

The **Labour Force Survey**, a monthly survey involving about 55,000 households, yields statistics on employment and unemployment.

The **Survey of Work Arrangements (SWA)**, sponsored by Human Resources Development Canada, was conducted in November 1995 as a supplement to the Labour Force Survey. It asked self-employed workers whether they operated their business from home. (Employees were asked whether they performed part or all of their work at home.)

Most SWA questions concerned the worker's **main job**, that is, the one to which most hours were devoted during the week of the survey, in cases in which a respondent held more than one job. In addition, all workers (paid or self-employed) who held more than one job, and who were self-employed in the second, were asked if this business was conducted from home.

were based at home, compared with 52% of those 25 to 54.

Of those aged 25 to 44, home was the place of work for 58% of women and 49% of men. Women in this age group are more likely to be raising children and hence may prefer to work from home.

Family status can make it possible – or necessary – to work at home. Self-employed single parents were most likely to operate a business at home in November 1995, fathers more so than mothers (69% versus 52%) (Table 1). Some 54% of business owners with a working spouse (dual-earner families) were home-based. A wide gap separated men and women: 51% of men and 61% of women were home-based, although the latter rose to 77% when a preschool-aged child was present.

The **Home-based Business Survey**, conducted in April 1997, covered 300 Ontario companies that began operations in the first quarter of 1996.

The **self-employed** are working owners of a business, farm or professional practice, incorporated or not, with or without paid help. Also included are those who do not have a business (for example, babysitters and newspaper carriers) and persons who work without pay on a farm or in a business or professional practice owned and operated by another family member living in the same dwelling.

Home-based self-employed workers include, among others, entrepreneurs in trucking or construction who use their home as a place of business while working outside it, as well as those (such as family daycare operators) who work only at home.

Self-employed workers with a university degree were less likely to operate their business from home. Just 40% did so, compared with 60% of those with only some high school or less. (In contrast, among employees, more university graduates worked at home.)

Some jobs more likely to be home-based

In November 1995, one-third of the self-employed worked in goods-producing industries, primarily in agriculture and construction, and they generally operated their businesses from home. Not surprisingly, some 91% of self-employed agricultural workers and 68% of construction entrepreneurs were home-based (Table 2).

Table 1
Self-employed workers based at home, by sex and family type

	Both sexes	Men	Women
	%		
All self-employed workers	53	51	57
Youngest child under 6	59	50	77
Youngest child between 6 and 15	54	50	60
No children under 16	52	53	50
In a couple	53	50	60
Youngest child under 6	59	50	77
Youngest child between 6 and 15	52	47	62
No children under 16	52	52	52
Single-earner couples	47	46	52
Youngest child under 6	53	51	--
Youngest child between 6 and 15	41	38	--
No children under 16	47	47	47
Dual-earner couples	54	51	61
Youngest child under 6	60	48	77
Youngest child between 6 and 15	54	49	62
No children under 16	53	53	53
Lone parents	59	69	52
Unattached individuals	54	53	57

Source: Survey of Work Arrangements, November 1995

Services accounted for the other two-thirds of self-employed workers; 44% of these businesses were operated from home. Trade accounted for 12% of all home-based businesses; business services 11%; and personal services 9%. While they were fewer in number, self-employed workers in education, and membership organization and other services were more likely to use their home as a workplace.

Some occupations do not seem to lend themselves as readily to home-based work. Unlike workers in farming, horticulture and animal breeding, of whom 91% called home their place of work, only one-third of directors, managers and administrators operated their business from home. (By definition, they often had more than a few employees, thus making a home office less feasible.) As well, only 38% of those in sales operated a business from home, while about half of clerical and service workers did so.

With or without employees?

Entrepreneurs with one or no employees were more likely than those who had several, to operate their business from home. In fact, 82% of those who operated a business in their home had no employees (Table 2), compared with 48% of those who were based outside the home. Self-employed workers in services (86%) and agriculture (82%) were less likely to have employees; by contrast, only 64% of those in manufacturing had no employees.

Main reason

Being able to work at home is apparently not the main reason for becoming self-employed. According to the 1995 SWA, only one home-based business owner in 10 said the main reason was a desire to work at home. Home-based business owners with at least one child under six were more likely to start a business for this reason (18%).

The SWA did not ask home-based self-employed workers why they operated their business from home. The findings of another survey are more revealing. The Home-based Business Survey asked Ontario entrepreneurs who had recently started their business why they had chosen to operate from home. Half said they had done so to reduce business operating costs (Taylor, 1997).

Self-employed workers with more than one job were more likely than others to work at home in either their main or second job. Among these 128,000 multiple jobholders, 66% were home-based in their main job. In addition, among the 30,000 self-employed workers whose primary job was based at home and who also had a second business, 86% ran that business from home.

Operating a business from home is no easy matter. Although home-based entrepreneurs put in fewer hours per week on average than other self-employed workers, one-quarter worked between 40 and 49 hours per week and one-third put in 50 hours or more (Table 3). They were also more likely to have work weeks that varied in length, or work weeks of six or seven days. One home-based worker in three worked both Saturday and Sunday, compared with one in five who worked away from home.

More prevalent in rural areas

For several reasons business owners who live in urban areas are less likely than those in rural areas to operate their business from home. In the city, homes may be too small to accommodate an office, commercial space for lease is easier to find, and zoning regulations regarding mixed land use are stricter. So, while less than half of business owners (46%) who lived in urban areas operated their business from home in November 1995, some 72% in rural or remote areas did so. Even excluding farmers, the gap was still significant: 44% of urban entrepreneurs were based at home,

Table 2
Self-employed workers based at home, by industry and occupation

	Self-employed				
	Total		Work at home		
	'000	%	'000	Distribution %	Proportion %
All industries	2,139	100	1,126	100	53
Goods-producing *	684	32	482	43	71
Agriculture	284	13	257	23	91
Other primary	50	2	32	3	63
Manufacturing	119	6	37	3	31
Construction	229	11	157	14	68
Service-producing	1,455	68	643	57	44
Transportation, storage and communication	94	4	45	4	48
Trade	402	19	135	12	34
Finance, insurance and real estate	112	5	54	5	48
Business services	243	11	129	11	53
Educational services	36	2	25	2	71
Health and social services	116	5	43	4	37
Accommodation, food and beverage services	92	4	18	2	20
Recreational services	53	2	24	2	45
Personal services	199	9	98	9	49
Miscellaneous services **	109	5	72	6	66
All occupations	2,139	100	1,126	100	53
Directors, managers and administrators	217	10	77	7	35
Professionals †	318	15	148	13	46
Natural sciences, engineering and mathematics	55	3	35	3	63
Teaching	44	2	32	3	72
Artistic, literary and recreational	101	5	62	5	61
Clerical	62	3	30	3	49
Sales	393	18	148	13	38
Service	356	17	180	16	51
Primary	337	16	293	26	87
Farming, horticulture and animal breeding	292	14	265	24	91
Processing, machining and fabricating	153	7	61	5	40
Construction trades; transport equipment operating; material handling; and other skilled workers	302	14	189	17	62
Number of employees	2,091	100	1,123	100	54
None ††	1,381	66	917	82	66
1	191	9	98	9	51
2 to 4	268	13	77	7	29
5 or more	251	12	32	3	13

Source: Survey of Work Arrangements, November 1995

* Includes utilities.

** Membership organization and other services.

† Includes social sciences, religion, medicine and health.

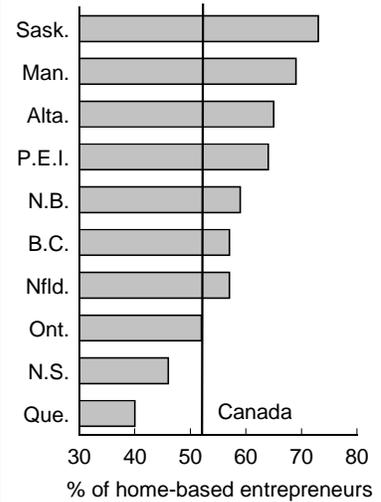
†† Refers to own-account workers or employers with no employees at the time of the survey.

Table 3
Self-employed workers' place of business, by work hours and schedule

	Self-employed		
	Total	At home	Elsewhere
	%		
Usual work hours	100	100	100
Part-time			
1 to 19	12	16	8
20 to 29	7	10	4
Full-time			
30 to 39	15	17	13
40 to 49	28	25	33
50 or more	37	32	43
Schedule	100	100	100
Variable days	18	22	12
Regular days	82	78	88
1 to 4 per week	6	5	7
5 per week	36	30	43
6 or 7 per week	41	43	38
Weekdays only	38	32	44
Monday to Friday	34	29	40
Some weekdays	4	3	4
Including weekends/weekends only	45	46	44
Saturday but not Sunday	16	11	23
Saturday and Sunday	28	34	21

Source: Survey of Work Arrangements, November 1995

Chart
Many entrepreneurs are home-based on the Prairies and in Prince Edward Island.



Source: Survey of Work Arrangements, November 1995

compared with 59% of those in rural or remote areas. This also explains why business owners in the Prairie provinces and Prince Edward Island were more often home-based (Chart).

Summary

Self-employed workers are a growing segment of the workforce. More than half of these workers have chosen to run a business from home, especially if they are older or have young children.

In November 1995, self-employed single parents were more likely to have a home-based business, especially if the parent was a father. And women in dual-earner families were more likely to operate a business from home, particularly if they had preschool-aged children.

Home-based entrepreneurship was lower among university graduates than among those with less education.

One-third of the self-employed worked in goods-producing industries (mainly in agriculture and construction) and tended to run their business from home. The other two-thirds were involved in service-producing industries. Of these, workers who ran a home-based business were concentrated in trade, business services and personal services. Most operated their business without the help of an employee. □

■ **Note**

1 Employees working at home are discussed in a previous *Perspectives* article (Pérusse, 1998).

■ **References**

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