

Is Working From Home a Temporary State for New Entrepreneurs?

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Why do entrepreneurs run their ventures from home? According to the British Household Panel Survey (BHPS)—a representative longitudinal dataset of individuals and households in the UK—nearly 40% of the self-employed in the UK worked at home even before the COVID-19 pandemic. This is surprising. Might entrepreneurial homeworking have been neglected because it is considered merely a temporary stepping stone to a scaled-up, professionalized venture in a traditional office setting?

We examined this question in [our article, “Entrepreneurial Homeworkers,”](https://link.springer.com/article/10.1007/s11187-020-00356-6) (https://link.springer.com/article/10.1007/s11187-020-00356-6) published in *Small Business Economics* (Kim & Parker, 2021). In the article we share insights generated by a database we built using data from the BHPS. Our findings show that working from home is *not* a transitional state for fledgling new businesses before they scale, professionalize and move to an office. Instead, working from home is one way entrepreneurs manage their own businesses.

Studying entrepreneurs who work from home is important because home-based work could limit entrepreneurs’ ability to serve lucrative markets and scale their businesses. Basing a business at home might also limit the founder’s ability to add more people. This could have adverse implications for job creation and small business growth. At the same time, the recent pandemic has demonstrated to many workers, including self-employed ones, that they can still create value when working from home. That might drive future increases in self-employed homeworking, especially in the light of continued growth of high-tech occupations and the prevalence of workers who have “side hustle” jobs. Thus, policymakers want to learn more about people who work from home.

Our Research

We studied records of 4,696 self-employed individuals in the UK from 2004 to 2008 by drawing data from the British Household Panel Survey. Among 4,696 observations, 1,734 self-employed individuals worked from home. Our analysis indicates that self-employed homeworkers are significantly more likely to keep their business at home than move the business to an outside office.

We also studied the factors that influenced the decision to work from home. We found that self-employed people who work from home are less likely to employ others or to have business partners. We saw this the most among women entrepreneurs, who also were more likely to be providing caregiving to a dependent child while working from home. Also, high-tech workers are more likely to become self-employed homeworkers, possibly because web-based ventures can be operated from anywhere.

What surprised us was that we found no relationship between providing caregiving to disabled family members and homeworking. One possibility is that self-employment in Britain provides enough flexibility to enable entrepreneurs to meet their caregiving obligations to disabled family members, whether or not they work from home.

Working from home may be a factor in the limited scale of most entrepreneurial ventures, given its prevalence and general unsuitability for hiring employees. However, to the extent that the COVID-19 pandemic has accelerated the transition to “the future of work” in our society, we may expect to see continuous growth in the number of entrepreneurs working from home in the years ahead.

In the future, researchers might want to build on our study by exploring how home-based businesses differ from other ventures. For example, is their chance of survival better or worse than ventures that are not home-based? And if large numbers of people begin to work



from home, what would be the implications of that trend for regional economic development? Finally, future research might also study how policies such as zoning laws and rent subsidies affect entrepreneurial choices of workers and their choice of business location.

Takeaways

- Working from home is *not* a transitional state for fledgling new businesses before entrepreneurs scale and professionalize and transition to non-homeworking firms.
- Home-based businesses are less likely to create jobs for others, particularly for female entrepreneurs. This might help explain the limited scale of most entrepreneurial ventures.
- There may be untapped entrepreneurial opportunities for businesses to provide goods and services to work-from-home entrepreneurs. For example, businesses that help these entrepreneurs to adapt or customize their home-based workspaces or those that facilitate the occasional, temporary use of away-from-home workspaces may enable home-based entrepreneurs to make the most of their locational choices.
- Also, there may be increasing customer needs for products/services that support female entrepreneurs who work from home and care for a dependent child.
- Policy makers may support these work-from-home entrepreneurs by improving technology infrastructure. Continuous digital infrastructure investments in rural areas, such as 5G network and high-speed fiber Internet access, will support home-based new businesses.

Explore the Research

Kim, N.K.N. & Parker, S.C. 2021. [Entrepreneurial homeworkers](#).

(<https://link.springer.com/article/10.1007/s11187-020-00356-6>) *Small Business Economics*, 57: 1427-1451.