

Home-Based Enterprises On Increase In Rutland County

Micro-Businesses Wield Strong Economic Impact In Region

BY NORA RUBINSTEIN

With school back in session, children are not the only ones doing homework. Home-based work is increasing in the Northeast and nationwide. Nationally, in 2000, home-based businesses made up more than half of all businesses and 53 percent of small businesses. This number has increased by a million workers in only three years. In Vermont, the number of non-employer firms increased from 49,000 in the 1990s to 56,000 in 2003, and according to the United States Census, there were 4,885 non-employer firms in Rutland County in 2001 with over \$165 million in gross receipts.

There have always been home businesses in cities and small towns, from the mom-and-pop grocery store with the family living upstairs to the neighbor who repaired small engines. In Vermont, craftspeople and yoga instructors use extra rooms or retrofit the garage, and of course, farmers have lived and worked on the family farm for generations. But now, it is not uncommon to find people “moonlighting” as accountants or real estate brokers, and with the cost of new technology decreasing and the advent of high speed modem lines and cell phones, the world of home-based work now includes lawyers and management consultants as well. Some work full time from home, or have part-time second jobs. In 2004, 20.7 million people worked from home at least one day a week under agreement with their employers, and an additional 10.2 million workers report working from home without such agreements. A full 75 percent of those who work from home do so in order to complete assigned work, and Dr. Kathleen Christensen, Director of the Alfred P. Sloan Program on The Workplace, Work Force and Working Families says that many older workers may begin the transition to retirement or consulting by working flex-time from home a few days a week. She adds, “People used to hide it by using couriers and drop locations, but no more.” In 2004, according to the Bureau of Labor Statistics, 30 percent of managerial or professional workers reported spending some time working from home. Vermont Secretary of State Deborah Markowitz notes that while the craft tradition remains part of the demographics of the home-based business, the growth sector is white collar and telecommunications based.

There are important implications for the migration of work into the home for the workers, the business community, and the towns in which Vermonters live and work.

For home-based workers, PDAs, pagers and cell phones are making the “nine-to-five” work day increasingly obsolete. Nancy Burzon, Executive Director of the Workforce Investment Board says, “In the corporate environment, a number of employees had very flexible work arrangements and could work from home. What I see now is, they work seven days a week, they are always on call, so even when they’re off, they’re not entirely off, and I think that’s invasive. Because of these PDAs, they’re always reachable. There could be a tendency to spend more time at your desk when you’re working at home.”

Still, many workers choose to work from home because it may be the only way that they can stay in touch with their families given complex work schedules. Meredith Morgan is co-owner of Morgan Mountain Organic Gardeners in Middletown Springs. She says, “One of the things that we cited in our business plan was the fact that we were able to be competitive with existing companies because we didn’t have to support the overhead of a nursery or year-round employees. Business-wise that was an advantage. Personally, we have a family we’re raising, so we wanted to be here.” But others are working at home because it provides them with additional income. Larry Sudlow, Manager of the Rutland Office of the Vermont Department of Employment and Training says, “We’ve got a lot of people who are working part-time jobs, or full-time jobs, where they aren’t earning a living wage and need to supplement their income and would love to do that from home. Also given the high price of gas and child care, it would make sense.”

But flex-time has down sides as well, and many are frustrated with the “blurred” boundaries between work and home life. Overlapping demands can make it hard to ever feel as though work has ended, and most say that it takes a certain kind of person to handle the meshing of home and work life. Meredith Morgan says, “When we first ran a business, one of the things I used to hate was when the phone rang at eight o’clock on Sunday night. Since then I’ve learned that that’s money. And you deal with it. But it takes a certain kind of person.” Many say that requires the ability to focus when distractions intervene. Nancy

Burzon points to a range of skills that are needed when there is no administrative support person to make the Powerpoint presentations or complete the spreadsheets.

Increasingly however, it isn't only employees who see home-based work as a good option. Mike Charles, President of Conix Systems, Inc., a financial software firm headquartered in Manchester, has a home-based technical workforce throughout Vermont and 10 other states. He says, "It gives us a competitive edge if the staff does not have to relocate." And Sudlow says, "Manufacturers have got 'graying of the workforce' issues. Many of their employees are retiring and they're trying to find alternative ways to get their work done and there's a whole range of ways that they try to do that. Calling back retirees, flexible hours, and increasingly letting people work from home are options that people explore."

There are also economic benefits for the business community. In a 2002 study by Joanne Pratt for the Small Business Administration, sole proprietors taking the home business deduction contributed \$102 billion to the economy. A 2006 census report identifies the approximately 19 million businesses without a payroll, many of which are home-based, as having annual receipts in excess of \$887 billion. The sheer size of the home-based economy has important secondary impacts not measured by gross receipts. Home-based workers need administrative support such as copying, file storage and shipping. Ronna Branch of the United Parcel Service says it is becoming more common for homes to have a daily pick-up, and their figures for e-Bay, which has large numbers of home-based businesses, show 20 percent growth in Q1 and Q2 from 2005 to 2006. Home-based workers also purchase office equipment, furniture and supplies, from reams of paper to home computers, from bookshelves to lighting.

And there are other benefits that are still more difficult to measure. Real estate brokers now show properties with "home offices," and local contractors benefit by wiring these spaces for DSL and ensuring that they provide adequate privacy. According to Aileen Stevenson, Sales Associate of Josiah Allen Real Estate in Dorset, 80 percent of her clients want space for a home office. Principal broker Laura Beckwith at Josiah Allen says that approximately five percent of customers are considering opening a business from the home, but this number will vary across brokerages and property types. Stevenson notes that many of those buying higher-end properties may be seeking to use them for specialty farming or as bed and breakfasts, because they are trying to "make the property work financially." She notes that probably 90 percent of her clientele, not just those who are running a business, ask whether there is DSL or cable access.

Steve Burzon, owner of Garden Arts Custom Landscapes is an example. He developed the business from his home in Danby after a career in marketing and advertising. He says, "If we had cell service that was dependable, our productivity would increase." But, he continues, "My small engine mechanic is a mile and a half from my place. The guy who services all my trucks is a mile and a half in the other direction. A half a mile down the road is the Danby Four Corners Store where four to six lunches a day are prepared for my crew. My topsoil is purchased about two miles away. We buy crushed stone products from processing plants located in Danby and South Wallingford. We've created, probably in a four or five square mile area, a little economic engine."

The growth of this market segment can not help but impact the communities which welcome these workers and their businesses. Secretary of State Markowitz, says, "Micro-businesses are the key to economic stability in Vermont. We work hard to bring in a few big industrial players, but it is hard to compete given Vermont's regulatory requirements and our limited ability to offer incentives such as tax breaks. We have set up an infrastructure that supports small business." She notes that it is important to integrate businesses and residences, and she notes that it is part of building stronger communities. A community with more home-based workers may find that more people are available to support local institutions, from the Chamber of Commerce to the PTA and the Rescue Squad.

These perspectives are echoed by Steve Filmanowicz of the Center for the New Urbanism based in Chicago who says, "CNU members believe strongly in bringing workplaces and residences closer together in walkable, mixed-use neighborhoods. Whether people are working at home or in workplaces within the community, they have more opportunities to participate in the professional, civic and social life of that community. They have more opportunities for relaxation and they're wasting less time on things such as long auto commutes or chauffeuring family members to far-flung sports or cultural commitments."

The availability of this population provides growth opportunities for chambers of commerce and other civic organizations that offer education, professional contact and civic improvement events. Janet Mondlak, Executive Director of the Brandon Chamber, estimates that 25 percent of the membership uses the health insurance that sole proprietors may have difficulty finding elsewhere, and that the 30 to 35 percent of their members who are home-based use Chamber events to network and socialize. Home-based business owners

also identify a need for a place to get logistical support, such as a part-time secretary, a color copier, or a place to meet with clients.

In the past, home-based work posed regulatory challenges. Today, manufacturing, storage, signage, noise and expanded parking still require regulation in residential zones, but planners and CEOs have welcomed the reduction in stress on downtown facilities as workers who spend part of the week off the premises reduce the need for office infrastructure, parking, and the burden on utilities. Mark Blucher, Executive Director of the Rutland Regional Planning Commission says, "The more home-based businesses we can encourage, the more we are moving toward this idea of reducing the amount of travel and keeping jobs close to homes. It's smart growth." He continues, "There's less traffic on the roads. People are at home during the day so that neighborhoods are populated, houses aren't empty with everybody off."

However, there are infrastructure challenges that remain to be resolved. According to Secretary of State Markowitz, "We don't have the telecommunications infrastructure we need to support these businesses. There are many places in Vermont without broadband, and that is a problem. A business can't succeed without easy access to the Web."

There are other challenges as well. Mike Charles of Conix closed the "chrome and glass" building he ran in Georgia to build a company with a "distributed workforce." He says, "In a central place you can order a pallet of copy and printer paper. With a distributed model, you can no longer do that. It takes more planning; that is definitely a manager's challenge." He also says there are challenges in dealing with Planning Commissions and the regulatory framework. "You are treated a little differently. For example, if you had 500 people working from home, you are treated as if you are a virtual company because they don't physically see the large building. You may be a billion-dollar company and the guy down the street may be doing a couple hundred thousand a year, but he's perceived as having more employees, and you're treated less favorably." He continues, "The other significant challenge is our employees are scattered throughout the United States. If all your employees are located in Burlington, you've got one state to deal with as far as regulations, tax returns and that kind of stuff, but with our business model, you have to deal with lots of different states' regulations. The complexity level when you leave the state borders goes up dramatically as does the cost. But it reduces the infrastructure cost and guarantees the best employees."

In the end, with a workforce that is increasingly working from home, where the den may give way to the family Internet café with all members logged on from the living room, there is a broad opportunity for continued growth in home-business connections. The benefits will accrue not only to the workers, but to the businesses that support them and the communities that welcome them.

In discussing home-based work in Vermont, Secretary of State Markowitz said, "I find that people who live and work in the same community find it easier to participate in the life of our towns. They feel connected to the town so they volunteer more, they show up for town meeting, they care about whether there are flowers planted in the town green and that the kids next door have a safe place to go after school."