



Home Office Scheme pushed home-based businesses to grow 23%: study

The most popular businesses are involved in computer programming and consultancy.

The creation of home-based businesses in Singapore has grown 23% since the Home Office Scheme (HOS) was introduced in 2001, the National University of Singapore (NUS) Business School revealed.

According to the study, the effect was most pronounced amongst entrepreneurs living in Housing Development Board (HDB) flats. The HOS scheme reduces entry cost, which is a barrier to new business creation, and promotes entrepreneurship at home, it said.

The new businesses are larger and have longer survival rates, and new entrants are more likely to become serial entrepreneurs starting second and subsequent businesses, the study noted.

Results showed that firms created under HOS have higher productivity, lower risk, and a higher survival rate. Newly created firms after the HOS have a lower exit rate of 29% relative to other firms created before the HOS.

The top five most popular HOS businesses are involved in the following activities: computer programming, consultancy and related activities; office administrative and support services; auxiliary activities for financial service and insurance; financial service activities that are not related to insurance and pension fund; and wholesale trade.

Professor Sumit Agarwal commented, "A key barrier to starting a business is cost, such as space rental and purchase of office equipment. Lowering such fixed costs not only encourages those with limited resources to enter the market, but it also enables businesses to operate in a leaner way and survive longer."

"With lowered barriers, individuals can put concepts into practice with much lower risk than if they had to set up an actual office unit. A discreet home business emboldens entrepreneurs to dare to fail without obvious social consequences," he added.

Having the option of operating a home-based enterprise showed an increase of 23% of first-time entrepreneurs establishing companies, relative to non-home-based businesses. These new entrants were also 2.3% more likely to open a second and usually larger business, to become serial entrepreneurs.

"It is very encouraging that these firms are not only of good quality but also display signs of sustainability," said associate professor Sing Tien Foo. "HOS provides an effective mechanism to help lower entry barriers and increase workplace flexibility if we want to entice an untapped workforce, opening up possibilities for those who would not have entered the market otherwise, to spur entrepreneurial activities and attract more entry into self-employment."

The study looked at firms before and after the new policy reforms were introduced. Prohibited businesses under the HOS were used as the control group, whilst businesses allowed under the scheme made up the treatment group.