

**CREATING JOBS IN RURAL COMMUNITIES:
THE ROLE OF HOME BASED BUSINESSES**

by

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INTRODUCTION:

Full-time, half-time, part-time, spare-time --- What ever form it is, Home Based Business is contributing to rural Idaho's economy. Towns like Victor, Pleasantview, Ashton, Salmon, Cherry Creek, and Eastport are benefitting from the successes of home-based entrepreneurs who have begun businesses in recent months. Many of these new entrants to the business world received a boost by attending a University of Idaho Cooperative Extension System sponsored home-based business workshops.

ISSUE:

Recent changes in the national and world economy have forced Idaho's rural industries to make drastic adjustments to compete in world markets. In some cases, they have not been able to compete and jobs and income have been lost from rural areas. Technical changes in production within natural resource industries have changed rural labor requirements. Changes in merchandizing methods have created different retail scales and resulted in the closure of retail facilities in many rural communities. These changes in production and marketing are forcing individuals and communities to adjust. Two factors indicate strategies that rural counties and communities can follow to stem the decline of income and employment opportunities in rural areas. First, the major share of new jobs in most regions have come from new startups and expansions of small businesses. Second, job growth in the 1980's has been mainly in the service producing sector. The implications for educators in rural areas are that new opportunities for job and income development are likely to be in starting new businesses in rural area and in emphasizing service provision types of businesses. Local job creation is especially important in sparsely populated areas like rural Idaho (Figure 1). Many rural communities have limited employment opportunities and are too distant from larger population areas to permit daily commutes. Idaho's largest city is Boise which is slightly over 100,000 people. Because of mountain ranges,

rivers and deserts, Salt Lake City, Utah and Spokane, Washington serve as commercial centers for regional sections of Idaho. Each of these cities is also surrounded by very rural sections of their own state. Larger centers such as Seattle and Portland are 300 miles from the closest point, San Francisco is 500 miles, Denver is 700 miles and Minneapolis is 1000 miles from Idaho. As a result home based businesses must find customers in locations distant from the actual businesses' location.

HOW IT WAS DONE:

In September 1988, the Western Rural Development Center sponsored a training session for Extension faculty and other practioners of rural development concerning various issues related to developing small and home based businesses. In many of the remote rural communities of Idaho, the only way new jobs are going to be created to replace those lost from the traditional sectors is to encourage and help citizens presently living there to start new businesses. Home based business became a major emphasis of Extension Home Economists working in the area of family economics and for several production agriculture faculty in rural counties.

Based on spring 1988 Extension Home Economics in-service training and the 'Getting Down to Business" workshop and associated materials from both sources, nine county faculty committed to developing programs in the area of Home Based Business Development. Materials were developed based on the "Getting Down to Business" workbook and support materials. County faculty worked with local vocational schools and Small Business Development Centers to publish the materials and schedule workshops. The format used was, first a three hour orientation session followed several weeks later by a two day intense workshop. The orientation session's objective was to help people decide if they really wanted to be in business for themselves. If, after this session, they were still interested, they were encouraged to attend the two day session to assist in determining the steps needing to be completed to actually start and run a business. This involved such issues as developing a business plan and a marketing

plan, setting up records keeping systems, meeting legal requirements, and learning about income and employment tax issues.

Home-based business training focuses on new rural community enterprises that start on a proverbial shoestring. These do provide an alternative way for people to stay on the farm and/or in rural areas. Examples include:

The Master craftsman -- Victor -- This business started out of a 22 X 38 foot garage. The owner and his wife needed a small loan to buy equipment and supplies. People were willing to loan \$50,000 but not \$5,000. The Master Craftsman has taken off in response to the housing boom in the vicinity of Grand Teton National Park. They are building quality custom cabinets for area residential homes. His sales promotion has been through customer recommendations. The owners are in the process of hiring an additional person to handle the demand for their products.

The Farm Home as a Business Office -- Ashton -- is a service which shows and trains spouses how to run the non-production side of the farm business. The business owners, presently managing their own family's operations, think the norm in farm family businesses is for the man to be involved in production and the woman doing all the paperwork in the home office. Their business points out this important contribution to a farm or ranch's operation and then teaches farm wives how to manage that side of the business. Topics covered include office location, equipment selection, computer use, forms, charts of accounts payable, payroll, checks and invoices, organization of files, what to keep and not keep, withholding taxes, business audits, and employee records. Their marketing technique is to present seminars at regional commodity schools and other gatherings where persons involved in the management of agricultural operations gather.

J.P.Catering -- Salmon -- is a full service wedding and entertainment cater. It is a family business run by a mother of 6 children. Fees are based on charging 25 percent over cost of supplies, materials and equipment rental to cover family labor.

Pro-Engineering and Manufacturing Co., Inc. -- Malad -- is a manufacturing firm that produces air exchange pumps for use in extracting liquids from containers. Production is a family operation involving the couple plus their five children. Assembly and tooling of the pump's 30 parts is a family shared responsibility. Presently pumps are being sold in California, Illinois, Florida, and New Jersey.

Designer Dreams -- Cherry Creek -- is a unique line of children's clothing and accessories sold at exclusive shops in Oregon and California. Sewing and marketing these products permits staying in the Malad area, staying home with the children and earning extra income.

Country Peddler -- Pleasantview -- is a business making appliques for sweat shirts and miscellaneous sewn items. To date most of these products have been marketed in the area.

Welcome Ranch -- Eastport -- is the business of a retired man producing and marketing northern Idaho elderberry, raspberry, and huckleberry jams along the Northern California Coast. Presently they are also providing gift baskets of jams for presentation to major contributors to the 1990 Goodwill Games in Seattle.

RESULTS:

Pre-workshop evaluations were completed by participants as well as a follow up survey conducted 6-12 months after the session. The results of these responses document the effectiveness and enthusiasm for the program.

Pre workshop

People attended these workshops for a variety of reasons. To assess what motivated people to attend, participants were asked "what is your most important

reason for participating in this workshop?" Twenty eight percent of the 150 respondents stated "need extra money". Other frequently mentioned reasons included "to develop a hobby into income", "to be my own boss" and "need to be home for family". The types of businesses or services being considered included crafts, 27%; business services, 12%; other products, 12%; personal services, 12%; food products, 10%; retail services, 9%; agricultural, 8%; home services, 8%; and miscellaneous others. Participants had a wide variety of creative ideas to generate additional income. Most participants had discussed it with family members (77%), read a book about the subject (64%) and talked with a knowledgeable business expert (46%). When asked how supportive the family/household is of the home business plans; 44% responded supportive and will help as needed and 26% were full partners. When asked how committed respondents were to operating a home based business; 52% were already operating, 27% definitely intended to start within the next twelve months.

Seventy two percent of the participants were under age 45. Twenty six percent were homemakers, 30% self employed, 18% full-time employed, 19% part-time employed, 3% were unemployed and 3% were retired. Eighty-four percent of the participants were female, 63% had no children at home, 98% had high school or higher school completion.

In the post-workshop evaluation conducted 6-12 months after attending the original workshops, respondents stated their main purpose in attending the workshop was to "increase knowledge of home based business" (73%) and "learn something about home business operations in order to decide whether its for me". In response to "additional steps taken to start a business", the responses were: discussed the subject with family members (57%); talked with someone who operates a home business (33%); read an article or book on the subject (33%); talked with a knowledgeable business expert (24%). When asked "how close are you to establishing a home business"?, 38% said they were now operating, 19% were still trying to decide if it was for them, 18% said

they had decided against starting a home business right now, 7% were developing their business plan, 4% changed their idea of the type business to develop, 3% decided to work for someone else, and 3% had one business operating and were starting to operate another. For those operating a home business, 25% were producing crafts, 18% were in sewing and clothing, 9% were in business services, 8% were in-home services, 6% were in information services, 6% were in agricultural services, 5% were in food products, 5% were in personal products, 5% were in personal services, 5% were in media services, 5% were in recreation and tourism, 2% were in agricultural production, etc.

For those deciding against starting a home based business, 12% did not for a personal/family situation, 10% have taken a new job, 9% stated lack of capital, 9% stated too many obstacles and hurdles to overcome, 2% because the family was not supportive, etc. Marketing and pricing became the most demanded subjects for future workshops.

In reality we know 38 percent of the respondents are now operating a business. We do not know how many family and non-family persons are involved in the businesses. At a future date we plan to re-survey participants to see how many are in business and if they have added additional employees.

TRANSFERABILITY:

The materials and format for the Idaho Home Based Business Program are available from the Idaho Cooperative Extension System and have been tested in 17 different workshops conducted in Idaho. This paper reports on the implementation and evaluation of Idaho's program. Materials developed to implement this project are available from authors. This program continues to provide the opportunity to create jobs in rural Idaho and provide additional income to the residents of its rural communities. We have completed 2 cycles of Phase I which is helping people decide if they should get into a home based business. We have completed one cycle of Phase II

which emphasizes pricing and marketing. Phase III, which we are in the process of developing will concentrate on personnel management and business decisions.

Notebooks containing the materials for phase I, MINDING YOUR BUSINESS AT HOME: Getting Started.. and phase II, MINDING YOUR BUSINESS AT HOME: Marketing Is..are available from the authors through the University of Idaho Cooperative Extension System.

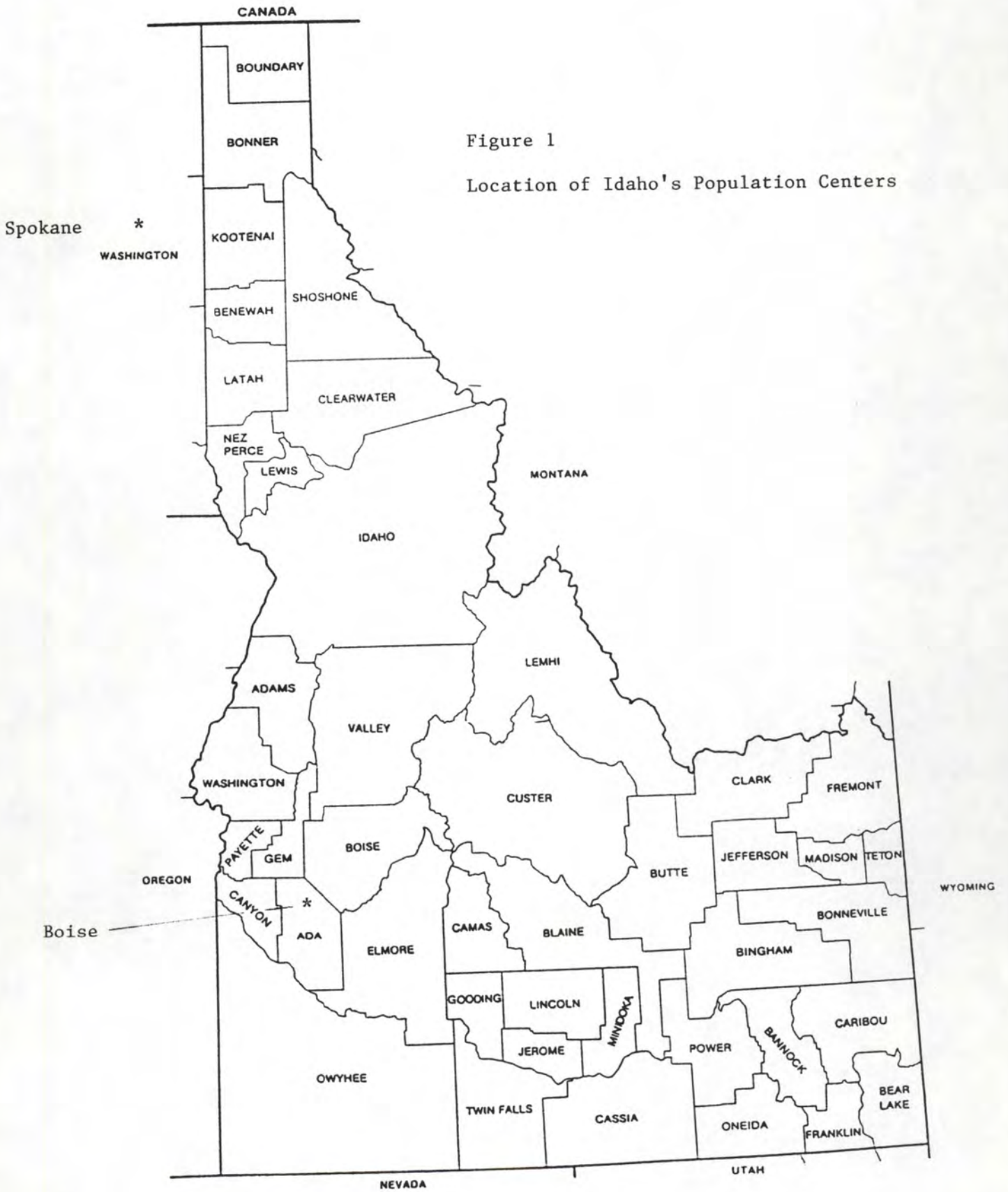


Figure 1

Location of Idaho's Population Centers

* Salt Lake City

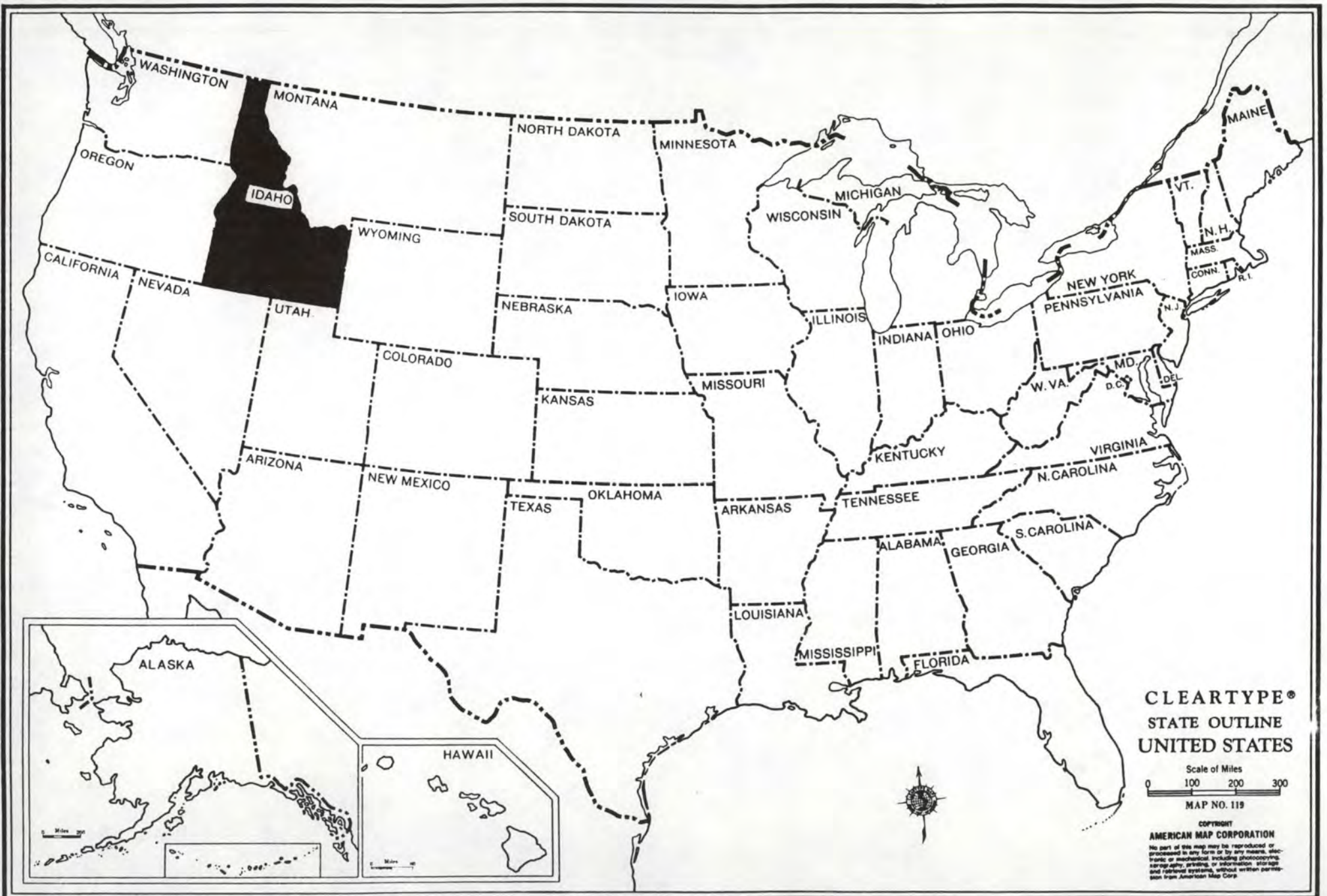


Figure 2 Idaho's Location in Relation to Major Western and Mid-Western Cities