

Family Businesses Have a Massive Impact on the UK Economy

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A new report by the Family Business Research Foundation and the Centre for Economics and Business Research shows families control 93 percent of UK firms.

The UK's Family Business Research Foundation's "State of the Nation" provides a bird's eye view of the UK's family business sector. The report, compiled by the Centre for Economics and Business Research (CEBR) in collaboration with the FBRF, examines the demographic structure of family firms in the UK and estimates the economic contribution that family-owned businesses make to the UK economy and its finances. This commentary summarizes some of its key findings.

The study included secondary analysis of data from two UK government surveys: the Longitudinal Small Business Survey and the Management and Well-being Practices Survey. It also drew on a range of other data sources to produce its estimates including national business statistics from the Office for National Statistics, the FBRF's 2019 study of large family firms (Repgraph, 2019) and a study of the Total Tax Contribution (TTC) of family firms in the UK (PwC and FBRF, 2023).

The study found that family firms are not evenly distributed across the UK economy and there is considerable variation in the prevalence and economic contribution of family businesses by firm size, sector, region and country.

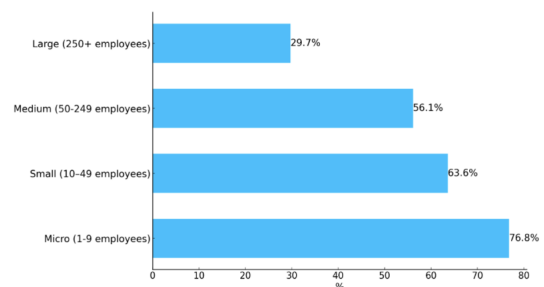
A Powerhouse in the Private Sector

The report estimates that the UK had just over 5 million family businesses in 2023, accounting for 93% of all firms in the private sector. Of these, around 1 million

had employees, and nearly 24,000 had more than 50 employees.

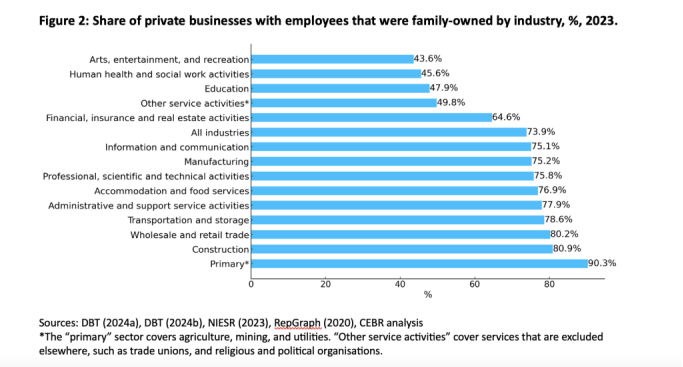
As previous studies by the FBRF have shown (for example, Kemp, 2024(<https://www.fbrf.org.uk/how-common-are-family-firms>)), smaller firms are more likely to be family-owned, with ownership decreasing as business size increases. In 2023, around 77% of micro firms (1–9 employees) were family-owned, compared with 30% of large firms (more than 250+ employees) (Figure 1).

Figure 1: Family ownership among private businesses with employees by size, 2023



Sources: Department for Business and Trade (2024a), DBT (2024b), NIESR (2023), RepGraph (2020), CEBR analysis

Figure 2 shows the prevalence of family ownership across industries among family firms with employees. Family firms are most commonly found in the primary sector (which includes agriculture, mining, and utilities) and construction, and least likely to be found in arts, entertainment, and recreation, and health and social care (Figure 2).



Contributions to the UK Economy in 2023

CEBR estimates that, in 2023, family businesses generated £2,805 billion in turnover (total revenue), almost half of the UK private sector total. The sector that made the largest contribution to family-owned business turnover nationally was the wholesale and retail trade sector, which generated £923 billion. The study also found that large family businesses contributed the most to the sector’s turnover of any business size, generating £974 billion in turnover in 2023.

The total gross value added (GVA) of family-owned businesses was £985 billion, with large firms and businesses in the wholesale and retail trade sectors again being the largest contributors. Family firms play a significant role across all regional and national economies of the UK, but for both turnover and GVA, family businesses in London made the largest contribution of any region.

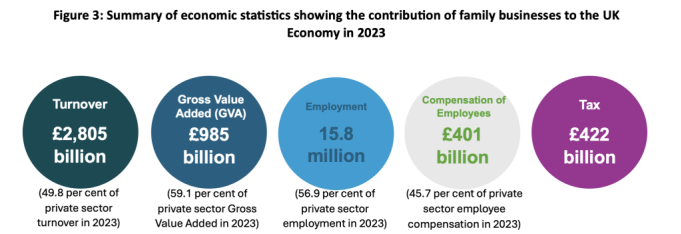
CEBR estimates that family businesses supported a total 15.8 million jobs in the UK in 2023, or 57 per cent of total private sector employment nationally. Micro family businesses (fewer than 10 employees) were responsible for around half of this employment.

It is estimated that family firms paid around £401 billion in employee compensation in 2023, mostly by large family businesses. Family businesses providing professional, scientific, and technical services paid the highest total compensation, at £58 billion.

Finally, the report provides updated estimates of the Total Tax Contribution (TTC) of family firms, applying a methodology developed by PwC to calculate the amount firms contribute in taxes across the full range of taxes borne and collected (See PwC/FBRF, 2023). CEBR estimates that family firms contributed a total of £422

billion in taxation to the UK Exchequer in 2023. Of this, £142 billion was generated through taxes borne, and £280 billion through taxes collected*.

Figure 3 provides a summary of key statistics used to indicate the economic contribution of family-owned businesses in the UK in 2023.



Summary

The FBRF’s latest report on the UK family business sector underscores the vital contribution family firms make to both regional and national economic growth. It offers new evidence to inform policy debates about the role of family businesses in the economy and how recent changes in taxation policy in the UK will impact family-owned businesses. The study also highlights the vital importance of robust and reliable data from large national business surveys and other sources for family business research.

**Total Tax Contribution considers both taxes borne (direct business payments to the government, such as corporation tax) and taxes collected (payments to the government administered through business on those involved in their activity, such as income tax) to calculate a total tax footprint for organizations.*

The report can be downloaded here: <https://www.fbrf.org.uk/reports/state-of-the-nation-23>

For more information about the FBRF and its work, go to: <https://www.fbrf.org.uk/>

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