

THE STATE OF THE NATION: THE UK FAMILY BUSINESS SECTOR IN 2023

A Cebr report for The Family Business Research Foundation

JANUARY 2025

ABOUT THE FBRF

The Family Business Research Foundation was established as a registered charity (no. 1134085) in 2009 to foster greater knowledge and understanding of family firms, their contribution to the UK economy and society, and the key challenges and opportunities that they face.

The Foundation is an organisation uniquely focused on understanding the UK family business sector. The results of our research have become one of the primary sources of evidence on the impact of family companies in the UK and are relied upon by government, family businesses (as well as their advisers), organisations, academics and researchers to help underpin their decision-making and actions.

The Charity aims to help grow a strong and thriving UK family business sector by expanding the knowledge and understanding of the business and their needs through research, analysis and evidence-based guidance.

We aim to ensure that the best data possible is available on UK family businesses. We support and engage researchers and academics working in this field and carry out research focused on the areas of greatest impact on UK family businesses.

The Charity is not trying to replicate corporate research done elsewhere but focuses on the effect of family ownership on companies' operations and its impact on the economy and society. This is done for the public benefit and all our findings and publications are shared on an open-source basis, free of charge. The Family Business Research Foundation's publications are designed to create a better understanding of family business, for the benefit of all.

For further information about the Family Business Research Foundation please visit fbrf.org.uk.

ABOUT CEBR

For over 30 years the Centre for Economics and Business Research (Cebr) has supplied independent economic forecasting and analysis to hundreds of private firms and public organisations.

Cebr's Economic Advisory team is one of the UK's strongest. Specialising in economic impact assessments, we advise government departments as well as FTSE and multinational firms on a range of topics. Cebr's Forecasting and Thought Leadership team delivers award-winning forecasts of the UK and global economies, helping our clients stay ahead of the game in anticipating future economic developments.

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FOREWORD

A MESSAGE FROM THE CHAIRMAN OF THE FAMILY BUSINESS RESEARCH FOUNDATION

I am delighted to introduce *The State of the Nation: The UK Family Business Sector in 2023*. This report, produced in collaboration with the Centre for Economics and Business Research (Cebr), follows on from the 2021-22 report produced by Oxford Economics to demonstrate the large contribution family businesses make to our economy, our communities, and the nation.

Family businesses represent over nine out of every ten private sector firms in the UK, employing nearly 16 million people and generating £985 billion in Gross Value Added. These figures are not just statistics—from small, local firms to large, multi-generational companies, our sector is a vital cornerstone of the UK economy, driving growth across industries and regions.

Yet, as this report highlights, we do not stand apart from the challenges of our time. Navigating the complexities of a post-pandemic world, adapting to a post-Brexit economy, and addressing the mounting pressures of innovation, technology, and sustainability require targeted support. This report underscores the urgent need to recognize and

nurture the unique strengths of UK family businesses through thoughtful and inclusive policies.

The report is also a reminder of the collective power and potential of family businesses in the UK. It provides insights into the opportunities ahead and the steps we can take to ensure family businesses continue to thrive for generations to come. Together, we can forge a future where family firms remain a source of stability, innovation, and economic leadership.

There is currently a great deal of interest and commentary on the importance of family businesses to the UK. There is more detailed work to be undertaken to look at the impact of specific measures on growth and tax contributions; but this report provides essential material and background for those debates.

Sir Michael Bibby

Chairman, Family Business Research Foundation

CONTENTS

Executive Summary	1
1. Introduction	3
2. Methodology	4
2.1 Demographic Analysis	4
2.2 Economic Analysis	5
3. A Profile of Family Businesses in the UK	7
3.1 Family Business Ownership by Size	7
3.2 Family Business Representation in Each Sector	7
3.3 Industrial Variation of Family Businesses	10
3.4 The Geographical Distribution of Family Business in the UK	13
3.5 The Geographical Patterns of Family Businesses	17
4. Economic Contributions of Family Businesses	22
4.1. Turnover	22
4.2. Employment	25
4.3. Gross Value Added	27
4.4. Compensation of Employees	29
4.5. Total Tax Contribution	30
5. Conclusion	31
Annex	32
Endnotes	33
Bibliography	34

EXECUTIVE SUMMARY

The purpose of this report is to better understand the state of the family business sector in the UK in 2023. To achieve this, analysis was undertaken to evaluate the number, demographics and economic impact of family businesses across the UK. Estimates were calculated using a combination of national statistics and survey data.

Here we present a snapshot of our findings. We highlight family businesses' strong presence across all industries and in all parts of the UK, and provide supporting estimates for key macroeconomic indicators to demonstrate the economic impact of family businesses.

A PROFILE OF UK FAMILY BUSINESSES

There were 5,126,505 family businesses in the UK in 2023, accounting for 93.2 per cent of all firms in the private sector.

- **1,054,680 family businesses had employees,** 163,407 had more than 10 employees, and 23,649 had more than 50 employees.
- The larger a business is, the less likely it is to be family-owned. Family ownership rates were 76.8 per cent for firms with 1–9 employees, compared to 29.7 per cent for firms with 250+ employees.
- There were 833,188 family businesses in the construction sector, the most of any industry.
- Comparing businesses of the same size, family ownership rates were highest in construction, agriculture and mining (primary industries), and wholesale and retail trade. They were lowest in education, and other service activities.
- **There were 4,467,190 family businesses in England, 329,847 in Scotland, 206,248 in Wales, and 123,221 in Northern Ireland.**
- Comparing businesses of the same size, family ownership rates were highest in South West England, Yorkshire and the Humber, North West England, and the West Midlands. London had the lowest family ownership rate by a notable margin: 5.4 percentage points below the national average.

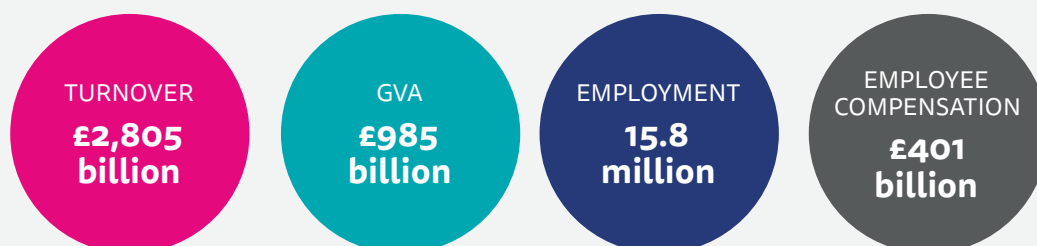
THE ECONOMIC CONTRIBUTION OF FAMILY BUSINESSES

Family businesses in the private sector made the following contributions to the UK economy in 2023:

- **These businesses generated £2,805 billion in turnover, or almost 50 per cent of the UK private sector total.** The sector that made the largest contribution to family-owned business turnover was the wholesale and retail trade sector, which generated £923 billion.
- Despite being the group with the lowest prevalence of family ownership (29.7 per cent of businesses), large family businesses contributed the most to the sector's turnover, having generated £974 billion in turnover in 2023.
- **Total family-owned business gross value added (GVA) was £985 billion,** with large firms and businesses in the wholesale and retail trade sectors again being the largest contributors.
- For both turnover and GVA, family businesses in London made the largest contributions, of £722 billion to the former, and £254 billion to the latter. In terms of the local economy, however, family businesses only accounted for 45 per cent of the turnover generated in London, the lowest share of any of the regions.
- Wales and Northern Ireland were more reliant on family-owned firms within their local economies than elsewhere in the UK. **Family firms accounted for 72 per cent of Northern Irish turnover and 68 per cent of Welsh turnover.**

- **Family business employment, which amounted to a total 15.8 million jobs, or 57 per cent of total private sector employment in the UK**, was most supported by micro businesses, by firms in the wholesale and retail trade sector, and by businesses in London.
- The £401 billion in employee compensation, additionally, was paid mostly by large businesses. Family businesses in the professional, scientific, and technical services paid the highest total compensation, at £58 billion, whereas family businesses in the information and communication sector paid the highest annual salary per worker, at £46,464.
- **For every £100 of turnover generated by family businesses, £17.50 was paid in taxes.** Family businesses contributed a total of £422 billion in taxation in 2023. Of this, £142 billion was generated through taxes borne, and £280 billion through taxes collected.

Overall, the results presented here demonstrate the continued resilience of the family business sector after what had been a challenging couple of years following the Covid-19 pandemic. Across every industry and geography, family businesses proved to be key players, as demonstrated throughout the report.



1. INTRODUCTION

The Family Business Research Foundation and the Centre for Economics and Business Research (Cebr) are pleased to present this report, which examines the size and economic impact of the family business sector in the UK in 2023.

The UK economy has faced multiple challenges over the last several years. Businesses have had to withstand the Covid-19 pandemic, adapt to the post-Brexit landscape, and deal with various periods of political uncertainty, among others. Family businesses are no exception. As demonstrated in this report, they remain an integral part of the UK economy. It is therefore important to examine the state of the family business sector to best understand its position and wider economic contribution. This report seeks to accomplish this through providing evidence in several key areas. Firstly, we developed accurate estimates for the number of family businesses in the UK in 2023, broken down by business size (as measured by the number of employees), by industry, and by geography. We then estimated the contribution of the sector to the UK economy.

STRUCTURE OF THE REPORT

The report proceeds as follows. Section 2 defines what a family business is. It then details the methodology applied in our analysis, including explaining the sources used. Section 3 provides a demographic breakdown of UK family businesses; this is done by business size, industry, and geography. Estimates are contextualised within the wider economy, highlighting where family businesses are over and underrepresented. Section 4 analyses the economic contribution of family businesses. Their impact is examined using key macroeconomic indicators: turnover, employment, gross value added (GVA), and compensation of employees (COE). A breakdown by business size, industry, and geography is provided for each of these. The analysis ends with estimates for Total Tax Contribution (TTC). Section 5 concludes the report, summarising key findings and providing a brief final commentary on the state of the family business sector.

2. METHODOLOGY

This section defines the key concepts underpinning our study and sets out the methodological approach taken in both our analyses of the demographics of family businesses in the UK, and subsequently of the contribution they make to the UK economy.

Throughout the report, we define family businesses in accordance with the European Family Business definition (European Commission, 2009), by which a firm of any size is a family business if:

- The majority of decision-making rights are in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, children or children's direct heirs.
- The majority of decision-making rights are indirect or direct.
- At least one representative of the family or kin is formally involved in the governance of the firm.
- Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 per cent of the decision-making rights mandated by their share capital.

Notably, the European definition includes sole proprietors and the self-employed, whether they have employees or not, provided that there is a legal entity which can be transferred (European Commission, 2009, p. 10). For consistency with this definition and with previous similar reports by the FBRF, we have assumed in our analysis that all micro businesses without employees are family businesses.

For our analyses, we primarily used three data sources.

The first was the latest edition of the Longitudinal Small Business Survey (LSBS) (Department for Business and Trade, 2024b), which surveyed businesses with zero to 250 employees from October 2023 to April 2024. The

survey interviews small and medium-sized businesses, seeking information across a variety of metrics, from their use of external finance and advice to their turnover and employment. It is a UK-wide longitudinal study which was first distributed in 2007, although new respondents have been added since. Despite the fieldwork of the survey spanning into 2024, we refer to the 2023 LSBS in accordance with advice received from the Department for Business and Trade (DBT).

We used this survey to calculate the shares of family ownership across size bands, sectors, and regions, which we assume are representative of the overall status of family ownership rates in 2023.

The LSBS assumes that organisations without owners cannot be family businesses, and so excludes not-for-profits (Department for Business, Energy & Industrial Strategy, 2021). For consistency, this report also focuses solely on family businesses in the private sector.

The other two main data sources used were the Business Population Estimates (BPE) (Department for Business and Trade, 2024a), which collects estimates for turnover, employment, and business count in 2023, and the Annual Business Survey (ABS) (Office for National Statistics, 2024b), which we used to obtain industry GVA and employee compensation estimates. We detail in the subsections to come how each of these was incorporated into our analysis.

We define firm size by employee number and reference the following categories throughout the report:

- 0 employees:** Micro businesses without employees
- 1–9 employees:** Micro businesses with employees
- 10–49 employees:** Small businesses
- 50–249 employees:** Medium-sized businesses
- 250+ employees:** Large businesses

2.1 DEMOGRAPHIC ANALYSIS

The demographic analysis for micro, small, and medium-sized businesses was carried out by combining BPE business count estimates with LSBS responses to the following question: "A.12: Is your business a family-owned

business, that is one which is majority owned by members of the same family?"; to which they could respond "Yes", "No", or "Don't Know".

After calculating and incorporating weights as described in the Annex, we were able to apply the rates of family ownership obtained from the LSBS to the number of micro, small, and medium-sized businesses in the UK in 2023 obtained from BPE data, giving us estimates for the number of family-owned businesses in each size band. The formula used was the following:

$$\begin{aligned} & \text{Number of businesses in segment (BPE)} \\ & \times \text{Share of businesses in segment that are family owned (LSBS)} \\ & = \text{Number of family owned businesses in segment} \end{aligned}$$

We used this same equation for estimating the number of family businesses in each sector and region.

The LSBS (by design) has a limitation as a data source, in that it does not cover businesses with more than 250 employees. Therefore, when estimating the number of large-sized family businesses, we used additional business surveys for supplementary data. These were the Management and Wellbeing Practices Survey (MWPS) (NIESR, 2023), which we used for businesses of 250 to 499 employees, and the IFB Research Foundation's study of large family firms (those with a turnover larger than £500 million), which sought to estimate the proportion of family businesses in the UK economy (RepGraph, 2020).

Commissioned by the former Department for Business, Energy and Industrial Strategy, the MWPS provides nationally representative evidence on employer practice in multiple areas including remote working (NIESR, 2023).

Specifically, we used data collected on family ownership from the MWPS and the RepGraph study to estimate the share of businesses in each respective size band that were family-owned, so as to be able to apply the formula above. In the case of the MWPS, which contains data from respondents surveyed in 2018, we further adjusted the figures to control for the difference in questions between surveys and wider trends in family business ownership between 2018 and 2023. For our large business regional and sectoral breakdowns, we have assumed that the distribution of medium-sized family businesses across regions/nations and sectors would serve as a good proxy for that of large businesses. We then applied this distribution to our estimate for the total number of large family firms, obtaining regional and sectoral breakdowns for this size band.

These two reports use family business definitions which differ slightly from the European definition and from the framing of the LSBS family ownership question. The MWPS, for instance, is a survey of establishments or workplaces rather than of organisations and defines family ownership as whether the business is majority owned by the person or family who first set it up.¹

The RepGraph study primarily follows the European definition, with the exception of private businesses only needing to have at least 25 per cent family ownership of voting rights, as opposed to 50 per cent. This second study also defines large-sized businesses as those with a turnover of over £500 million which, whilst a reasonable proxy, does not map perfectly onto firms with 500 or more employees (RepGraph, 2020).

Ultimately, the definition of family business used, as well as the framing of a question around family ownership in a survey, determines the number of firms estimated to be family businesses (Pieper & Rau, 2007). Firms that might not meet the definitional criteria used in one study, for instance, might be considered family businesses under a different definition. In our analysis, we made adjustments when using data from surveys other than the LSBS to account for the differences in the framing of family ownership questions.

2.2 ECONOMIC ANALYSIS

In this module, we used slightly differing approaches for each variable, driven by data availability.

TURNOVER

Turnover refers to all of the income generated by a business over a certain period of time (usually a year), before accounting for business costs or profits. To estimate the total, sectoral, and regional/national turnover attributable to family-owned businesses, we combined BPE turnover estimates with our demographic analysis, using a formula similar to the one presented here:

$$\begin{aligned} & \text{Total turnover in segment (BPE)} \\ & \times \text{Share of family ownership in segment (LSBS)} \\ & = \text{Turnover attributable to family businesses in segment} \end{aligned}$$

EMPLOYMENT

Employment refers to the number of people working for an employer or self-employed at a certain point in time, in this case, at the end of 2023. As with turnover, we estimated family businesses employment by combining BPE employment estimates with our demographic analysis, consistent with the approach for turnover set out above.

GROSS VALUE ADDED (GVA)

GVA is also commonly known as income from production. It is distributed in three directions – to employees, to shareholders and to government. It is often used as a proxy for estimating the contribution of a firm or industry to GDP. We used the latest edition of the Annual Business Survey (ABS) (Office for National Statistics, 2024b), as well as our demographic analysis, to estimate family business GVA. With the ABS total, sectoral, and regional estimates, we generated GVA to turnover ratios which, when multiplied by family business turnover figures, allowed us to calculate the GVA attributable to family businesses in total, and in each sector and region. The ABS, however, does not include data for the financial industries, nor for micro businesses without employees. To deal with the former, we incorporated datapoints from the Inter-Departmental Business Register (Office for National Statistics, 2023b), and for the latter, we assumed that ratios estimated for micro businesses with employees would similarly apply to micro businesses without employees.

COMPENSATION OF EMPLOYEES (COE)

Employee compensation refers to total employment costs, or the total amount paid in compensation (including salaries, pensions, monetary benefits, etc.) by businesses. To estimate it, we took an approach similar to that taken to calculate GVA. Using ABS turnover and employee compensation estimates, we calculated COE to turnover ratios, which when multiplied by our family business turnover figures gave us estimates for family business employee compensation.

In accordance with the UK's national accounts framework, and therefore with the wider reporting of economic statistics, we exclude micro businesses without employees from our COE analysis. Since the income retained by the owners of these businesses is considered mixed income,² this should not be included in employee compensation estimates, which refer more generally to the transfer of a salary from an employer to an employee. In section 4.4

we discuss estimates for owner compensation in micro businesses without employees, but these are separate from the rest of our analysis.

TOTAL TAX CONTRIBUTION

To estimate the tax contribution of family businesses, we used the IFB Research Foundation's 2023 joint report with PwC (PwC, 2023).³ This applied the Total Tax Contribution (TTC) framework to define tax contribution, which incorporates both taxes borne and taxes collected. Taxes borne refer to direct business payments to the government, such as corporation tax and employer national insurance contributions. Taxes collected refer to payments to the government that businesses collect through their activity, such as income tax and employee national insurance contributions. Together, they are intended to incorporate all taxes generated through business activity.

In their study, PwC estimated family business TTC as a percentage of total family business turnover for 2021. This metric was used – both by PwC and again in this report – because, after dividing by turnover, it accounts for the fact that more profitable businesses would generally be expected to pay higher tax, thus allowing for comparison across business sizes. To update PwC's estimate, we considered changes in private sector tax contribution and turnover between 2021 and 2023. This allowed us to calculate an economy-wide growth rate for TTC as a percentage of turnover. Applying this growth rate to the 2021 ratio allowed us to estimate an equivalent 2023 ratio. Using our turnover figures for family businesses, we were then able to calculate family business TTC in absolute terms. Finally, by considering private sector changes in taxes borne and taxes collected, we were again able to estimate a relative growth rate, which allowed us to estimate the split of taxes borne and taxes collected by family businesses for 2023. See the Annex for further details of our methodology.

3. A PROFILE OF FAMILY BUSINESSES IN THE UK

In 2023, there were an estimated 5,126,505 family businesses in the UK, accounting for 93.2 per cent of all private firms. In this section we present a breakdown of the family business sector by size, sector, and constituent UK nation. This is supplemented further by breaking down the data within England by English region.⁴

Sections 3.1, 3.2, and 3.4 provide overarching family business population estimates for the UK. These are contrasted by sections 3.3 and 3.5, which contain greater detail and discuss specific trends.

3.1 FAMILY BUSINESS OWNERSHIP BY SIZE

Table 1 presents a breakdown of family businesses by business size. Size bands are determined by the number of employees. Data are given for the number of family businesses, the number of private businesses, and the rate of family ownership by size band.

As firm size increases, the absolute number of family businesses decreases markedly. This is not surprising; the same trend is found in all private businesses. What is of more interest is that the relative share of family businesses decreases as firm size increases. At the smallest level, all private firms without employees are family businesses, a

result of how the Small Business Survey (SBS) classifies them. For businesses with employees, 76.8 per cent of those with 1–9 employees were family-owned, compared with 63.6 per cent for those with 10–49 employees, 56.1 per cent for those with 50–249 employees, and, finally, 29.7 per cent of businesses with 250 or more employees. Whilst specific evaluation of the cause of this trend was beyond the scope of this report, it could be theorised that family firms often turn to external parties to fund growth, and more complex dynamics within large businesses encourage a greater diversification of management expertise.

3.2 FAMILY BUSINESS REPRESENTATION IN EACH SECTOR

Table 2 presents a breakdown of family businesses by sector. Sectors are classified using Standard Industrial Classification (SIC) codes and are presented accordingly. Estimates are given for the number of family businesses, the number of family businesses with employees, and the rates of family ownership by sector.

Where appropriate, data are given for both family businesses and family businesses with employees. This is to account for the overwhelming prevalence of micro businesses without employees, which may hide patterns in the data.

Firm size	Family businesses	Private businesses	Share of private businesses that are family-owned (%)	Share of total family businesses (%)
All firms	5,126,505	5,498,990	93.2	100
Firms with employees	1,054,680	1,427,165	73.9	20.6
Micro (no employees)	4,071,825	4,071,825	100	79.4
Micro (1–9 employees)	891,273	1,161,265	76.8	17.4
Small (10–49 employees)	139,758	219,900	63.6	2.7
Medium (50–249 employees)	21,193	37,750	56.1	0.4
Large (250+ employees)	2,456	8,250	29.7	0.1

Table 1. Number of family businesses in the UK by size, 2023

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

Sector	Family businesses	Share (%) of all businesses that are family-owned	Family businesses with employees	Share (%) of all businesses with employees that are family-owned
Primary*	173,055	96.7	54,571	90.3
Manufacturing	225,312	91.3	65,093	75.2
Construction	833,188	95.7	156,888	80.9
Wholesale and retail trade	510,069	91.3	195,755	80.2
Transportation and storage	302,719	96.8	37,000	78.6
Accommodation and food services	178,896	84.4	110,361	76.9
Information and communication	319,022	94.4	57,352	75.1
Financial, insurance and real estate activities	202,128	88.3	49,017	64.6
Professional, scientific and technical activities	709,311	94.0	142,782	75.8
Administrative and support service activities	466,947	94.3	99,973	77.9
Education	287,075	96.2	10,486	47.9
Human health and social work activities	321,517	90.4	28,747	45.6
Arts, entertainment, and recreation	264,195	94.2	12,541	43.6
Other service activities*	333,071	90.6	34,116	49.8
All industries	5,126,505	93.2	1,054,680	73.9

Table 2. Breakdown of family businesses by sector, 2023

Sources: DBT (2024a), DBT (2024b), NIESR (2023), RepGraph (2020), Cebr analysis

*The primary sector covers agriculture, mining, and utilities. Other service activities covers services that are excluded elsewhere, such as trade unions, and religious and political organisations. See endnotes 5 and 6 for a complete description.

Figure 1 ranks each sector by the number of family businesses.

Figure 2 ranks each sector by the number of family businesses with employees. It accounts for the prevalence of micro businesses without employees (which influence the results in Figure 1) by removing them.

Figure 1 and Figure 2 highlight the importance of construction (16.3 per cent of all family businesses, 14.9 per cent of employers), professional, scientific and technical activities (13.8 per cent, 13.5 per cent of employers), and wholesale and retail trade (9.9 per cent, 18.6 per cent of employers) to total family business numbers in the UK. Just shy of half (47.0 per cent) of all family businesses with employees operated in one of these three sectors.

Figure 1: Number of family businesses by sector, 2023

Sources: DBT (2024a), DBT (2024b), NIESR (2023), RepGraph (2020), Cebr analysis

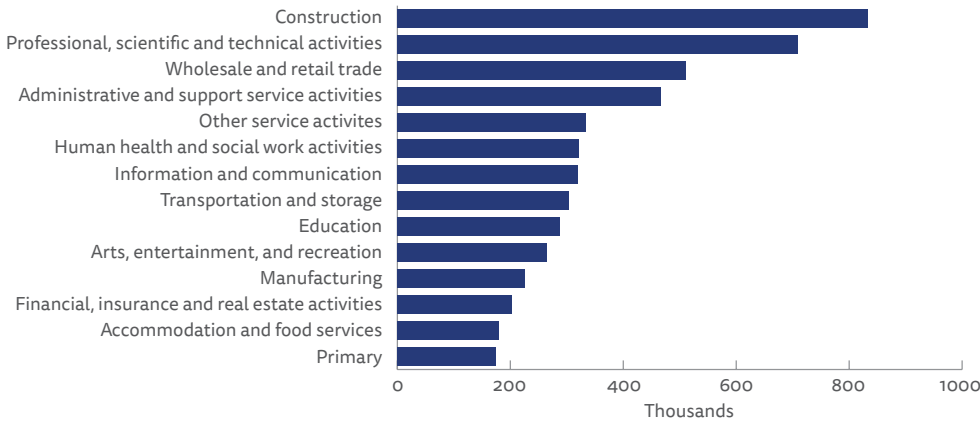


Figure 2: Number of family businesses with employees by sector, 2023

Sources: DBT (2024a), DBT (2024b), NIESR (2023), RepGraph (2020), Cebr analysis

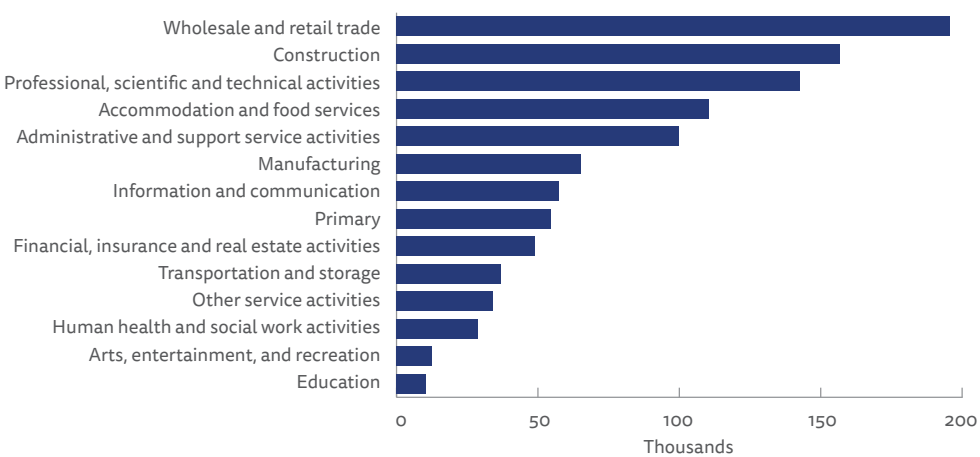


Figure 3 ranks sectors by the share of private businesses that were family-owned.

Figure 4 is similar to Figure 3, except it only considers businesses with employees. It ranks sectors by the share of private businesses with employees that were family-owned.

Family ownership rates were very high across the economy (Figure 3). Twelve out of fourteen sectors classified had rates above 90 per cent, with only accommodation and food services (84.4 per cent) and financial, insurance and real estate activities (88.3 per cent) below this. However, once we restricted the analysis to employers only, there was greater dispersion in the data. The majority of industries – eight out of fourteen – occupied a six percentage point window between 75 and 81 per cent family ownership. Primary industries had comfortably the highest family ownership, at 90.3 per cent. Four industries had ownership below 50 per cent: other service

activities (49.8 per cent), education (47.9 per cent), human health and social work activities (45.6 per cent), and arts, entertainment, and recreation (43.6 per cent).

We explore two potential relationships in these data. The first is whether there is a link between the number of businesses in an industry and the rate of family ownership. An example of a conceptual link might be family ownership rates affecting entry into an industry and thus the total number of firms. However, overall, we suggest there is no clear relation. Although industries such as arts, entertainment, and recreation had low absolute numbers and low family ownership rates, we also observed the opposite result: primary industries had the highest family ownership rate for employers despite having the fourth fewest employing firms. The second relationship is whether different rates of family ownership predominantly stem from business size variation across sectors. This is discussed in Section 3.3.

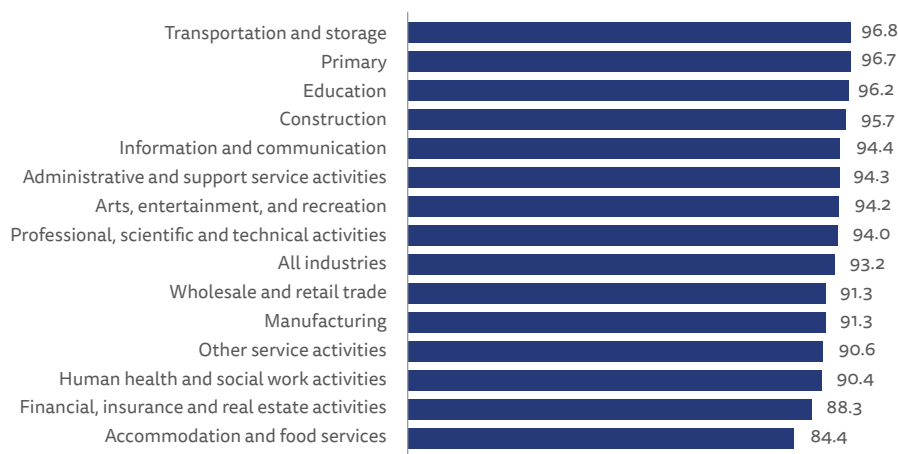


Figure 3: Share of private businesses that were family-owned by industry, %, 2023

Sources: DBT (2024a), DBT (2024b), NIESR (2023), RepGraph (2020), Cebr analysis

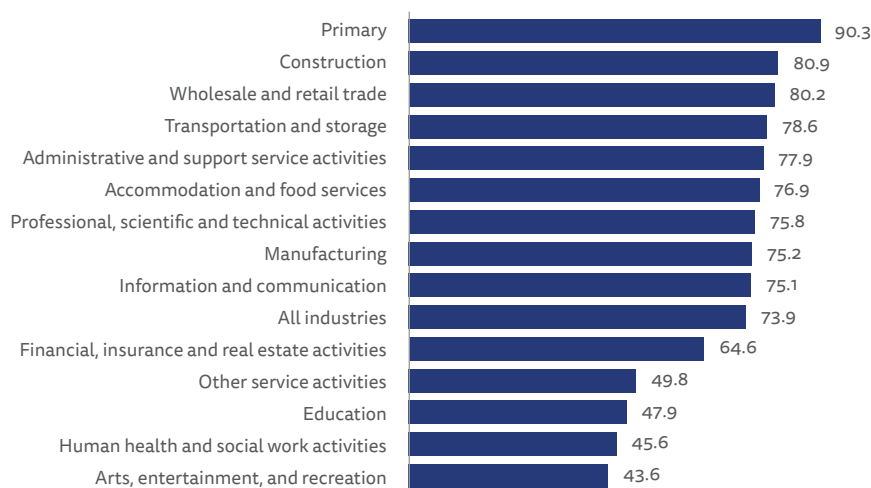


Figure 4: Share of private businesses with employees that were family-owned by industry, %, 2023

Sources: DBT (2024a), DBT (2024b), NIESR (2023), RepGraph (2020), Cebr analysis

3.3 INDUSTRIAL VARIATION OF FAMILY BUSINESSES

There are different ways to interpret the differences in family ownership rates by industry reported in the preceding section. In Section 3.1, we recognised that the rate of family ownership falls sharply as firm size increases. Variation in family ownership across sectors may just be a result of this, caused by underlying size differences. For example, suppose an industry has a high rate of family-owned businesses. This could be because average business size is small, possibly due to low economies of scale or the history of the industry, and small businesses are more likely to be family-owned. Alternatively, it could be because family ownership rates are genuinely high, a result we would still expect to see after controlling for firm size. This is particularly important when considering industries containing a high proportion of firms without employees, which are definitionally all classified as family businesses.

Table 3 provides a breakdown of family businesses by industry and business size. Industries are again classified using SIC codes and organised accordingly. Data are given for the number of family businesses by firm size, and the share of private businesses that were family-owned.

Accommodation and food services was the only industry in which there were more family businesses as a size band increased (from 68,548 without employees to 82,593 with 1–9 employees). This is not a family business specific result for the industry; as 100 per cent of firms without employees are family businesses, the fact that there were a higher number of family firms with 1–9 employees implies there was an even greater total number of private businesses in this size band (104,605) relative to without employees.

Table 3: Breakdown of family businesses by size, industry, and share of family ownership, 2023

Sources: DBT (2024a), DBT (2024b), NIESR (2023), RepGraph (2020), Cebr analysis

Industry	Firm size				
	Micro (no employees)	Micro (1–9 employees)	Small (10–49 employees)	Medium (50–249 employees)	Large (250+ employees)
Primary*	118,490 100%	49,094 79.5%	4,736 70.7%	664 56.6%	77 31.3%
Manufacturing	160,213 100%	46,822 79.5%	14,462 70.7%	3,413 56.6%	396 31.3%
Construction	676,315 100%	142,328 81.9%	13,067 73.6%	1,338 65.6%	155 52.4%
Wholesale and retail trade	314,306 100%	165,890 82.5%	25,755 69.4%	3,683 71.2%	427 35.9%
Transportation and storage	265,705 100%	30,439 80.4%	5,196 72.7%	1,223 74.5%	142 35.3%
Accommodation and food services	68,548 100%	82,593 79.0%	25,412 72.8%	2,111 63.9%	245 35.1%
Information and communication	261,561 100%	49,957 80.6%	6,063 53.5%	1,194 48.0%	138 26.8%
Financial, insurance and real estate activities	153,110 100%	44,625 68.3%	3,849 45.3%	487 31.2%	56 9.5%
Professional, scientific and technical activities	566,537 100%	129,009 80.8%	12,570 52.9%	1,078 26.2%	125 14.1%
Administrative and support service activities	366,985 100%	83,640 80.0%	12,848 70.7%	3,123 71.2%	362 30.0%
Education	276,593 100%	8,424 50.7%	1,960 43.9%	91 13.0%	11 7.5%
Human health and social work activities	292,770 100%	15,549 41.2%	10,639 52.0%	2,293 53.60%	266 46.0%
Arts, entertainment, and recreation	251,642 100%	10,230 44.9%	1,809 37.4%	450 49.50%	52 24.2%
Other service activities*	298,955 100%	32,672 52.0%	1,392 26.4%	47 12.4%	5 10.8%
All industries	4,071,825 100%	891,273 76.8%	139,758 63.6%	21,193 56.1%	2,456 29.7%

*The primary sector covers agriculture, mining, and utilities. Other service activities covers services that are excluded elsewhere, such as trade unions, and religious and political organisations. See endnotes 5 and 6 for a complete description.

Figure 5 presents the relative shares of family businesses by size band in each industry. It is ranked according to the total number of family businesses in each industry, with the largest (construction) at the top.

Figure 5 shows how the relative proportion of business sizes varies greatly by industry. Although the distribution primarily reflects underlying business patterns rather than results specific to family businesses, it still provides valuable information about the distribution of family firms.

The sectors of education and arts, entertainment and recreation had the highest proportions of family

businesses with no employees, at 96.7 per cent and 95.3 per cent, respectively. It naturally follows that they had very low proportions for the other size bands. Considering larger firms, only two industries had over 1 per cent of family businesses with 50 or more employees (i.e. medium and large businesses together); manufacturing at 1.7 per cent, and accommodation and food services at 1.3 per cent. Similarly, only in two industries did fewer than 0.1 per cent of family businesses have 50 plus employees: education at 0.03 per cent, and other service activities at 0.02 per cent. For comparison, across all industries the rate was 0.5 per cent.

Figure 5: Share of family businesses in each industry by size band, %, 2023

Sources: DBT (2024a), DBT (2024b), NIESR (2023), RepGraph (2020), Cebr analysis

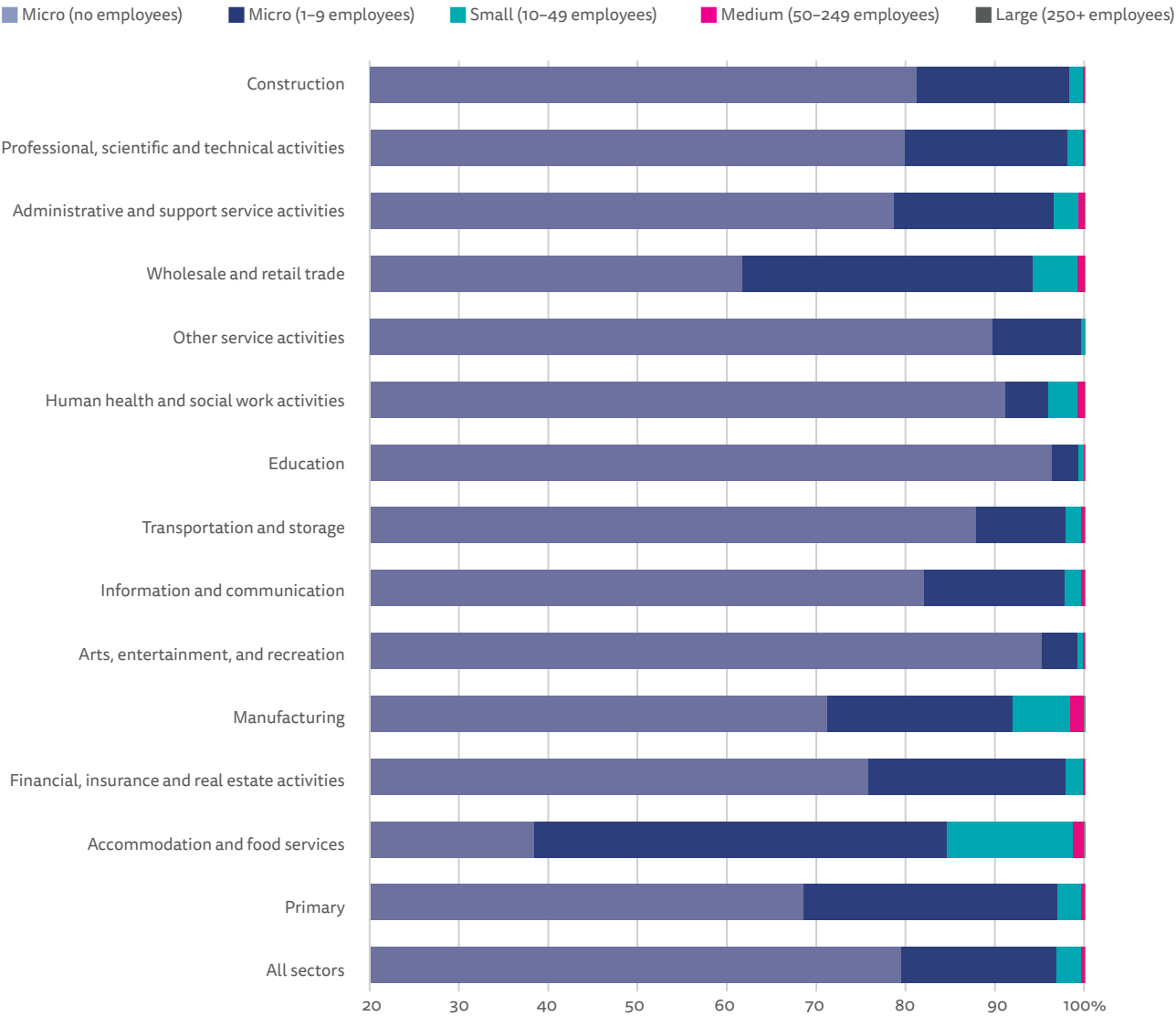


Figure 6 provides a breakdown of the share of private businesses that were family-owned in each industry by firm size. Businesses without employees are excluded as they are all family-owned, and thus their inclusion adds no analytical value. Industries are ranked by the proportion of micro businesses with employees. The economy-wide average is provided at the bottom.

Figure 6 clearly illustrates that varying family ownership rates across industries are more than just the result of different compositions of business sizes. The share of private businesses that are family-owned varies notably by industry and business size. This confirms that there are industry specific factors affecting family ownership.

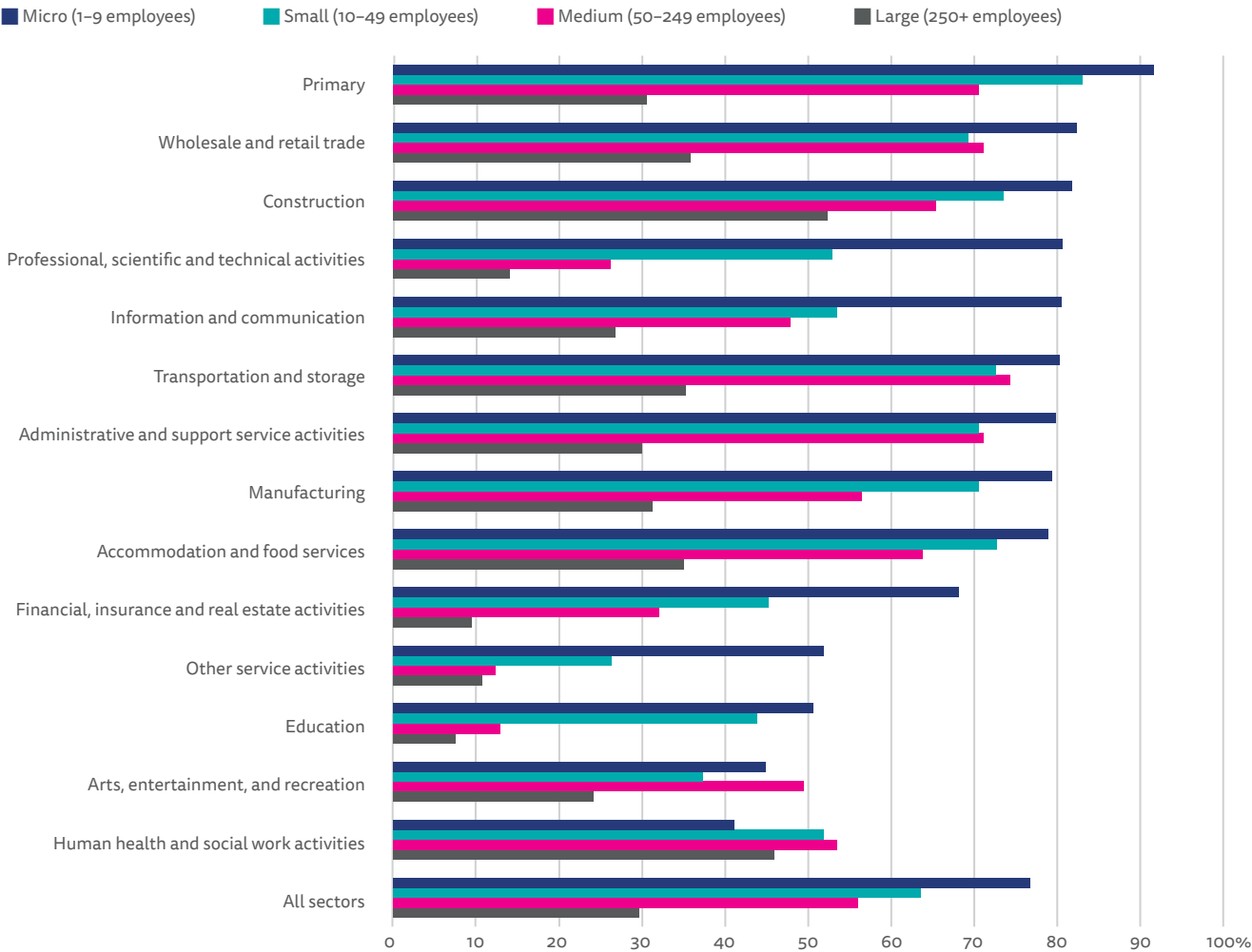
Most industries – nine out of fourteen – displayed consistently decreasing family ownership rates as business size increases. This follows the wider pattern across

all family businesses in the UK. Of the remaining five industries, four broadly displayed this result, except for medium-sized businesses, in which there was an increase in family ownership rates. These are wholesale and retail trade; transportation and storage; administrative and support service activities; and arts, entertainment, and recreation. This suggests there are industry specific effects supporting family ownership in larger businesses, although further research beyond the remit of this report would be required to identify potential contributing factors.

Finally, the largest deviation from the broader pattern was in human health and social work activities. Family ownership rates displayed a bell-shaped curve as business size increases, with all rates between 40 and 55 per cent, far lower variation than other sectors.

Figure 6: Share of private businesses that were family-owned by size and industry, %, 2023

Sources: DBT (2024a), DBT (2024b), NIESR (2023), RepGraph (2020), Cebr analysis



Industry-wide family ownership differentials are presented in Figure 7. It is a more detailed version of Figure 3, again ranking industries by the proportion of private businesses that were family-owned, but also highlighting whether an industry had above average family ownership rates in every size band, below average rates in every size band, or some above and some below.

Figure 7 confirms that family ownership rates vary notably by industry. Unsurprisingly, industries when segmented by size band tend to be consistently above or below average, once again suggesting the presence of industry specific effects influencing family ownership. Seven (out of fourteen) industries had above average family ownership rates in all four size bands. These were primary industries; wholesale and retail trade; construction; transportation and storage; administrative and support service activities; manufacturing; and accommodation and food services. Conversely, four industries were below average in every size band. These were arts, entertainment, and recreation; education; other service activities; and financial, insurance and real estate activities. This left only three industries that were above average in some size bands but below in others. These were information and communication; professional, scientific and technical activities; and human health and social work activities.

One might be tempted to infer a positive relationship between family ownership rates by size band and industry-wide ownership rates. This would make intuitive sense; if businesses are more likely to be family-owned across all sizes, you would expect overall family ownership rates to be higher. However, based on the limited number of industries (fourteen), and the fact that there are above and below average family ownership industries at both the top and bottom of overall ownership rates, we are not confident in concluding a strong link between the two.

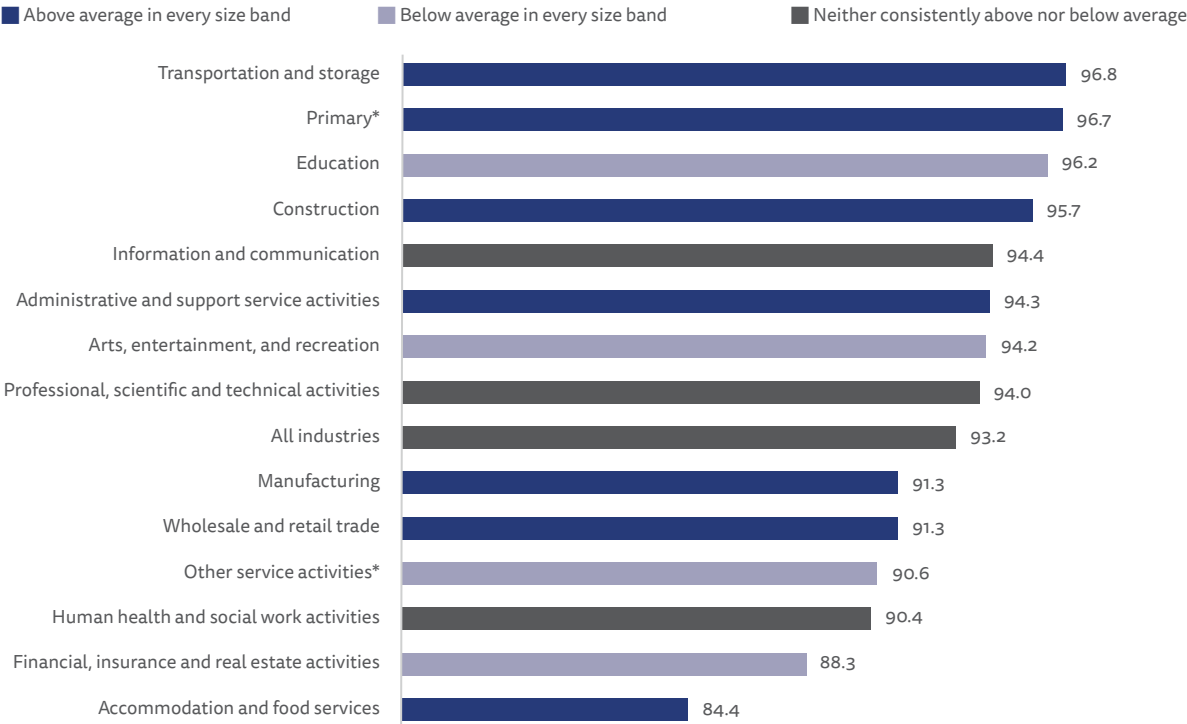
3.4 THE GEOGRAPHICAL DISTRIBUTION OF FAMILY BUSINESS IN THE UK

This section analyses family business numbers broken down by geography. A discussion of trends is primarily contained within Section 3.5.

The number of family businesses by home nation and English region is presented in Table 4. When taken together, this is akin to a breakdown by International Territorial Level (ITL) 1 statistical region (a government classification scheme aimed at dividing the UK into 12 areas of roughly comparable population and geography; see endnote 4).

Figure 7: Family ownership by industry with comparison to sectoral averages, %, 2023

Sources: DBT (2024a), DBT (2024b), NIESR (2023), RepGraph (2020), Cebr analysis



*The primary sector covers agriculture, mining, and utilities. Other service activities covers services that are excluded elsewhere, such as trade unions, and religious and political organisations. See endnotes 5 and 6 for a complete description.

Nation/region	Family businesses	Share (%) of all businesses that are family-owned	Family businesses with employees	Share (%) of all businesses with employees that are family-owned
East Midlands	333,644	93.4	73,684	75.7
East of England	454,894	92.4	103,873	73.6
London	564,974	87.8	178,056	69.4
North East	155,419	93.5	30,501	74.0
North West	518,586	94.0	110,828	76.8
South East	876,344	93.8	149,817	72.2
South West	796,044	96.5	96,559	76.9
West Midlands	370,673	92.6	88,063	74.7
Yorkshire & the Humber	396,612	94.4	82,376	77.9
England	4,467,190	93.3	913,747	73.9
Scotland	329,847	92.8	69,529	73.2
Wales	206,248	93.7	41,652	74.9
Northern Ireland	123,221	92.6	29,638	75.0
UK	5,126,505	93.2	1,054,680	73.9

Table 4: Family businesses by nation and English region, 2023

Sources: DBT (2024a), DBT (2024b), NIESR (2023), RepGraph (2020), Cebr analysis

Of the 5,126,505 family businesses in the UK, 4,467,190 were in England, 329,847 in Scotland, 206,248 in Wales, and 123,221 in Northern Ireland. In percentage terms, this is equivalent to 87.1 per cent being in England, 6.4 per cent in Scotland, 4.0 per cent in Wales, and 2.4 per cent in Northern Ireland.

When considering only family businesses with employees, there were 1,054,680 in the UK; 913,747 of these are in England, 69,529 in Scotland, 41,652 in Wales, and 29,638 in Northern Ireland. In percentage terms, 86.6 per cent were in England, 6.6 per cent in Scotland, 3.9 per cent in Wales, and 2.8 per cent in Northern Ireland.

Figure 8 provides a heatmap of the number of family businesses and share of total UK family businesses by constituent nation and English region.

In terms of understanding family business specific trends in the data, Figure 8 at first appears limited: the regions with the highest number of family businesses were those with the highest populations. However, there were of course regional fluctuations, nowhere more so than in South West England. As of 2023, South West England had a population of 5,811,259 people, 8.5 per cent of the UK's total (ONS, 2023c). The fact that it was home to 15.5 per cent of all UK family businesses indicates a strong prevalence of family businesses in the region.

Figure 8: Number and share of family businesses by nation/English region, 2023

Sources: DBT (2024a), DBT (2024b), NIESR (2023), RepGraph (2020), Cebr analysis

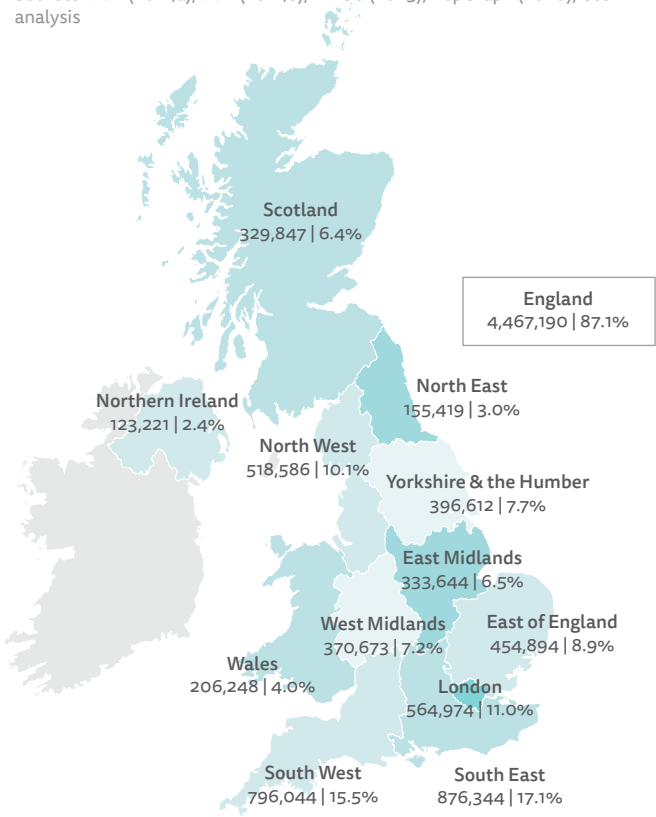


Figure 9 provides a heatmap of the number of family businesses with employees and share of total UK family businesses with employees by constituent nation and English region.

In Figure 9, we observed a closer alignment between relative population and share of total family businesses compared to the inclusion of family firms without employees. London was the most over-represented region, with 16.9 per cent of family businesses with employees, despite being home to only 13.1 per cent of UK residents.

Figure 10 ranks UK nations by the share of private businesses that were family-owned, while Figure 11 provides comparable data for just the English regions.

Most regions – all four nations and six of the nine English regions – were within 0.8 percentage points of the 93.2 per cent national average. Only the South West of England (96.5 per cent) and Yorkshire and the Humber (94.4 per cent) were above this range, whilst London (87.8 per cent) is comfortably below.

Figure 9: Number and share of family businesses with employees by nation/English region, 2023

Sources: DBT (2024a), DBT (2024b), NIESR (2023), RepGraph (2020), Cebr analysis

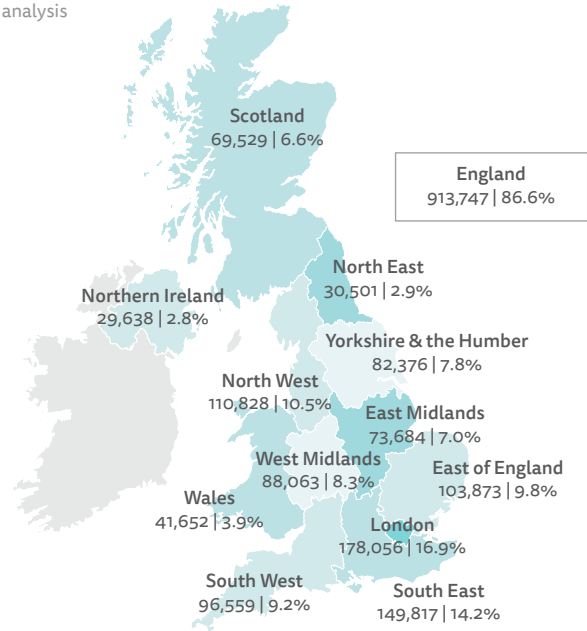


Figure 10: Share of private businesses that were family-owned by UK nation, %, 2023

Sources: DBT (2024a), DBT (2024b), NIESR (2023), RepGraph (2020), Cebr analysis

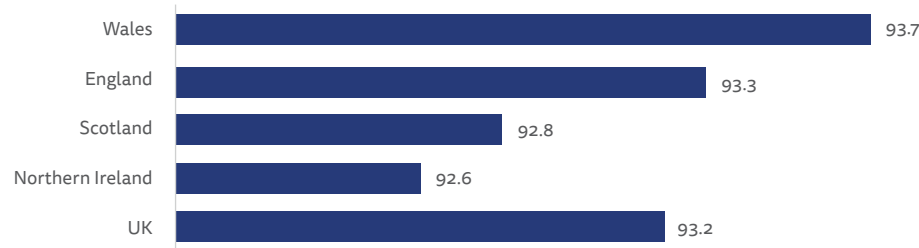


Figure 11: Share of private businesses that were family-owned by English region, %, 2023

Sources: DBT (2024a), DBT (2024b), NIESR (2023), RepGraph (2020), Cebr analysis

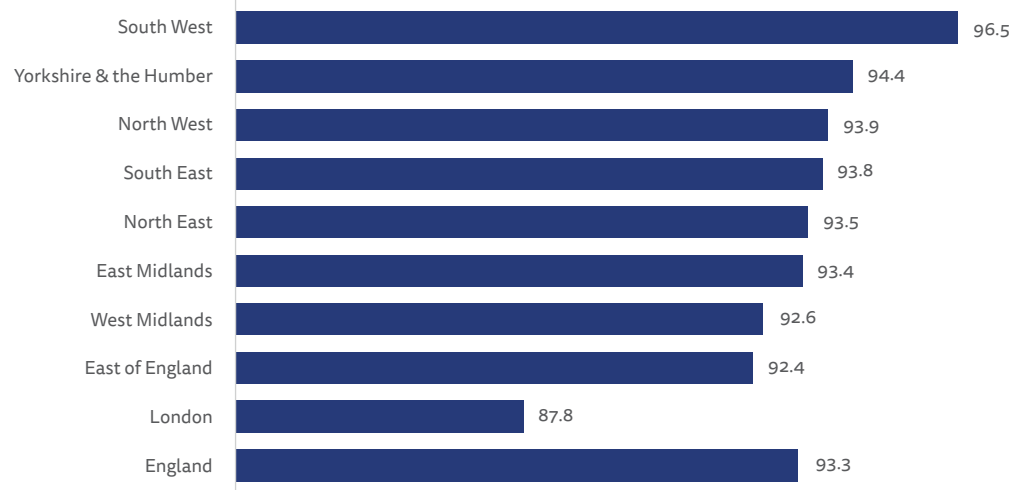


Figure 12 ranks UK nations by the share of private businesses with employees that were family-owned, while Figure 13 does the same for just the English regions.

With micro businesses without employees now excluded, there is greater variation between regions. Most regions – all four nations and five of the nine English regions – were within two percentage points of the national average for family ownership (73.9 per cent). Yorkshire and the Humber (77.9 per cent), South West England (76.9 per cent), and North West England (76.8 per cent) were above. Only London (69.4 per cent) was below. The fact that there were a disproportionately high number of family businesses with employees in London (see Figure 9), despite having the lowest family ownership rate, indicates the strong economic position of the region.



Figure 12: Share of private businesses with employees that were family-owned by UK nation, %, 2023

Sources: DBT (2024a), DBT (2024b), NIESR (2023), RepGraph (2020), Cebr analysis

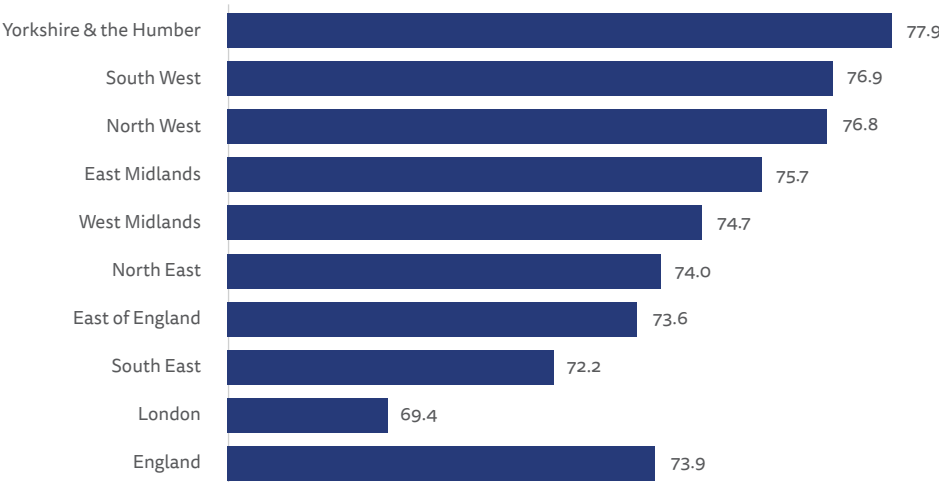


Figure 13: Share of private businesses with employees that were family-owned by English region, %, 2023

Sources: DBT (2024a), DBT (2024b), NIESR (2023), RepGraph (2020), Cebr analysis

3.5 THE GEOGRAPHICAL PATTERNS OF FAMILY BUSINESSES

In this section, we look in more depth at regional variations in family business ownership.

Table 5 provides a breakdown of the number of family businesses in each nation and English region by size band. The percentages of private businesses that were family-owned are also given.

Overall, there was less variation in family ownership rates across regions than across sectors. Nevertheless, there are still noteworthy differences.

Table 5: Breakdown of family businesses by size, nation/English region, and rate of family ownership, 2023

Sources: DBT (2024a), DBT (2024b), NIESR (2023), RepGraph (2020), Cebr analysis

Nation/Region	Firm size				
	Micro (no employees)	Micro (1–9 employees)	Small (10–49 employees)	Medium (50–249 employees)	Large (250+ employees)
East Midlands	259,960 100%	62,249 78.7%	9,873 65.7%	1,399 52.9%	162 28.4%
East of England	351,010 100%	88,302 76.1%	13,189 63.2%	2,145 61.2%	249 35.5%
London	386,901 100%	152,710 73.1%	21,804 57.0%	3,190 44.2%	370 19.1%
North East	124,915 100%	26,260 79.0%	3,602 54.2%	575 52.6%	67 27.2%
North West	407,745 100%	92,562 79.6%	15,584 67.4%	2,415 60.6%	280 33.3%
South East	726,511 100%	126,957 75.0%	19,441 61.3%	3,079 58.1%	357 28.9%
South West	699,476 100%	81,548 79.7%	12,993 66.0%	1,817 59.3%	211 40.9%
West Midlands	282,601 100%	74,629 77.7%	11,502 63.8%	1,740 58.1%	202 30.1%
Yorkshire & the Humber	314,226 100%	68,799 80.4%	11,537 69.3%	1,837 63.5%	213 35.5%
England	3,553,345 100%	744,016 76.9%	119,525 62.9%	18,197 55.7%	2,109 28.9%
Scotland	260,310 100%	57,871 75.9%	10,143 64.5%	1,364 53.8%	158 31.0%
Wales	164,590 100%	34,816 76.3%	5,794 69.9%	938 66.5%	109 44.4%
Northern Ireland	93,580 100%	24,569 75.9%	4,297 71.9%	695 68.3%	80 43.5%
UK	4,071,825 100%	891,273 76.8%	139,758 63.6%	21,193 56.1%	2,456 29.8%

Figure 14 presents the size composition of family businesses in each UK nation.

Figure 15 presents the size composition of family businesses in each English region.

London had the lowest proportion of micro businesses without employees, at 68.4 per cent, indicating that family

businesses on average tend to be larger in London than in other regions. On the flipside, South West England had the highest share of micro businesses without employees, at 87.9 per cent, indicating that family businesses there tend to be smaller. When comparing UK nations, family businesses in Northern Ireland were noteworthy for tending to be of a larger size.

Figure 14: Share of family businesses in each UK nation by size band, %, 2023

Sources: DBT (2024a), DBT (2024b), NIESR (2023), RepGraph (2020), Cebr analysis

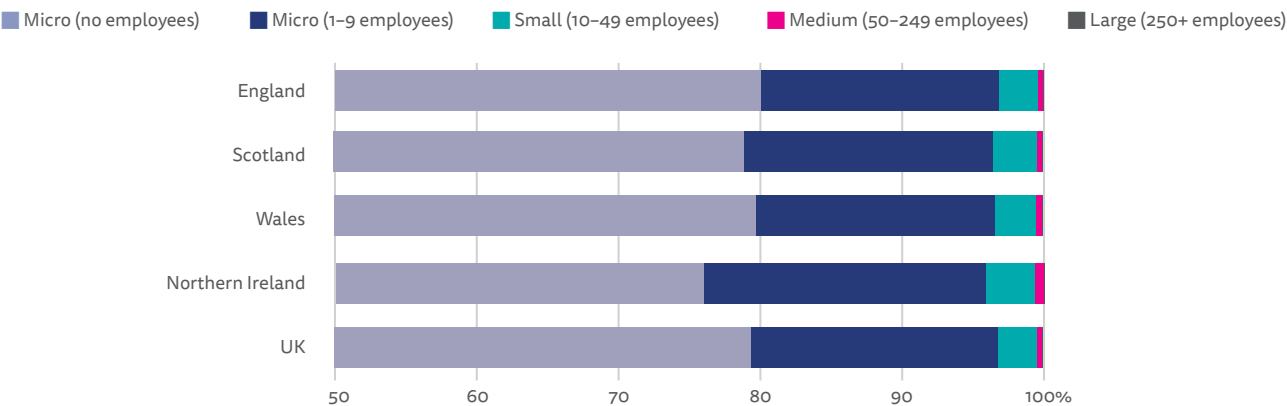


Figure 15: Share of family businesses in each English region by size band, %, 2023

Sources: DBT (2024a), DBT (2024b), NIESR (2023), RepGraph (2020), Cebr analysis

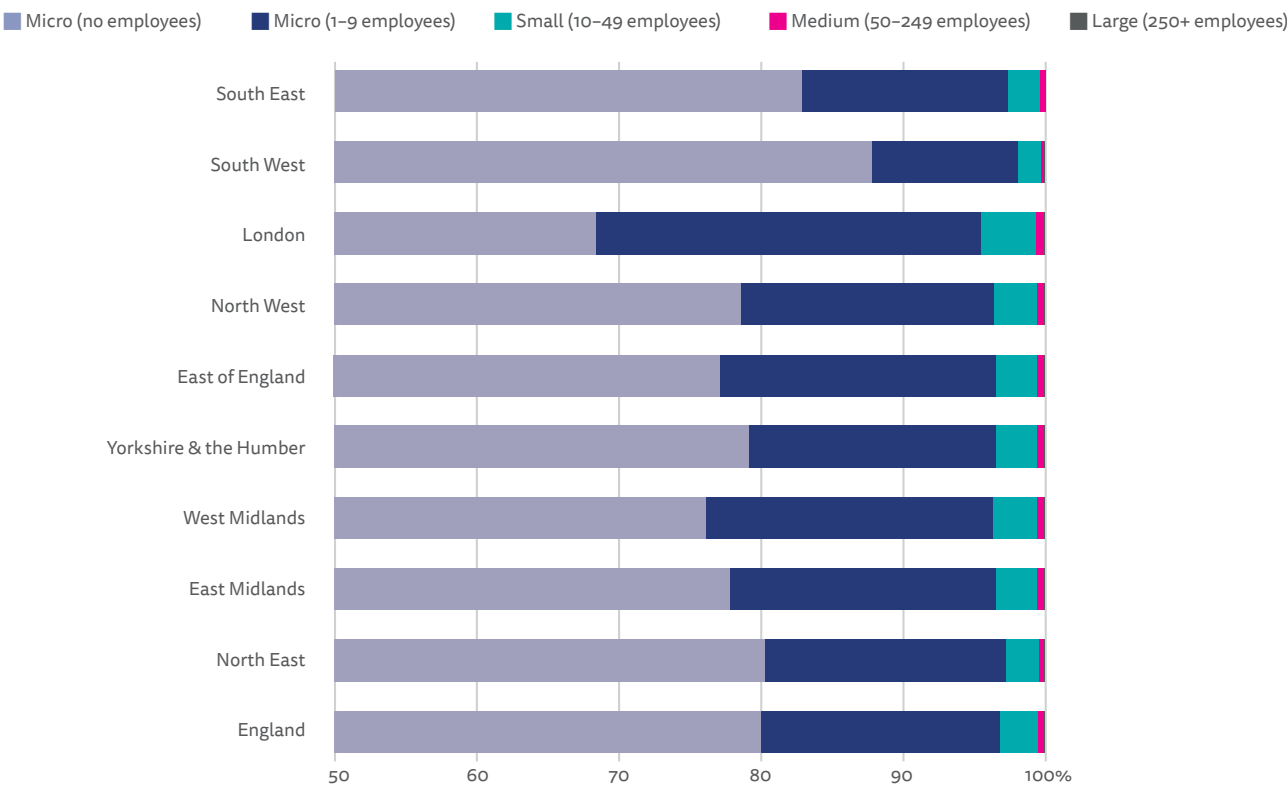


Figure 16 presents a breakdown of the share of private businesses that are family-owned by firm size in each nation. Micro businesses without employees are excluded as they are all considered family-owned.

Figure 17 presents a breakdown of the share of private businesses that were family-owned by firm size in each English region.

Considering results within constituent UK nations, the proportion of family businesses with 1–9 employees in Wales and Northern Ireland was relatively low, compared to England and Scotland. In contrast, a higher proportion of family businesses in these former two nations were medium to large-sized.

Figure 16: Share of private businesses that were family-owned by size and UK nation, %, 2023

Sources: DBT (2024a), DBT (2024b), NIESR (2023), RepGraph (2020), Cebr analysis

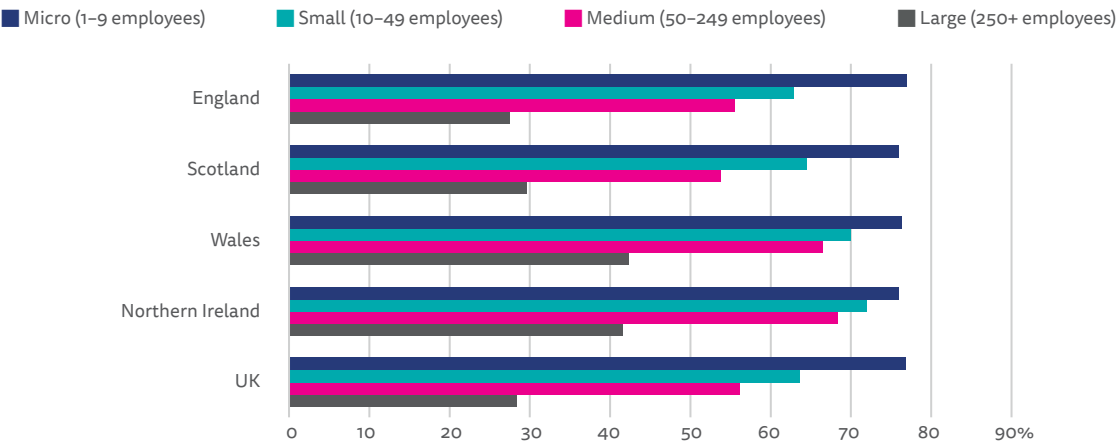


Figure 17: Share of private businesses that were family-owned by size and English region, %, 2023

Sources: DBT (2024a), DBT (2024b), NIESR (2023), RepGraph (2020), Cebr analysis

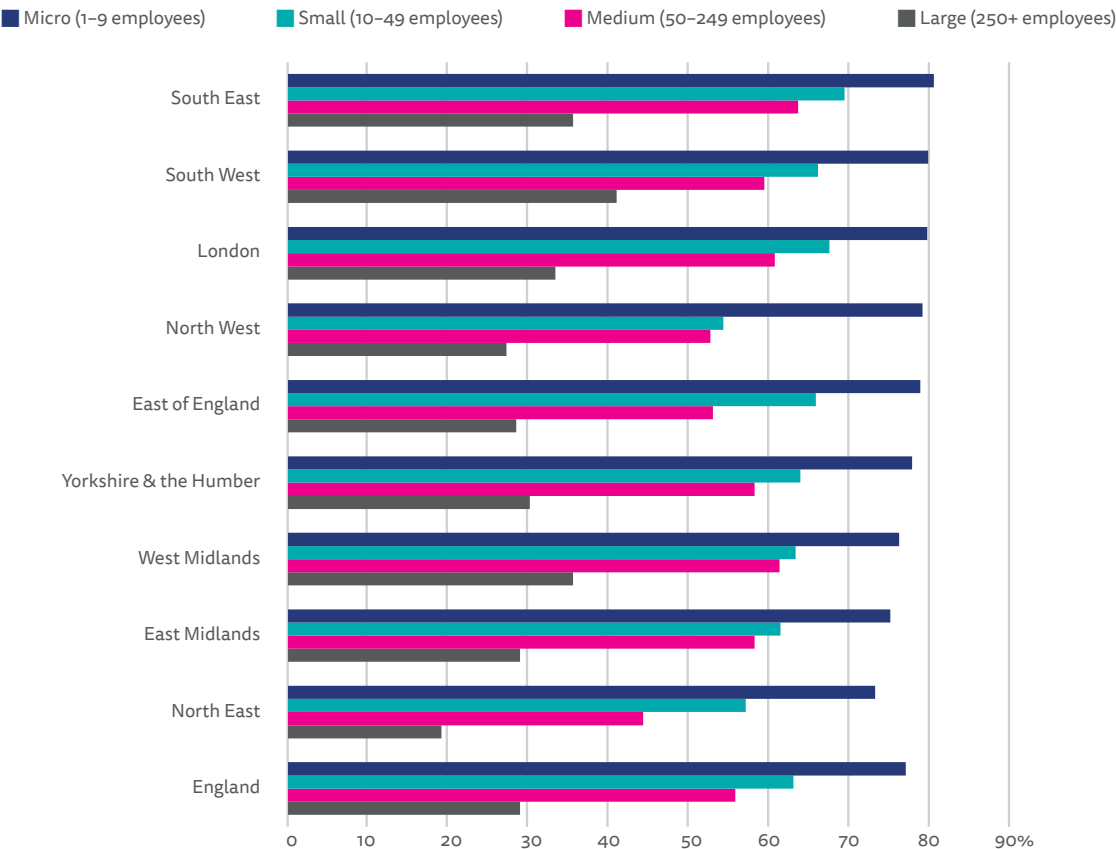


Figure 18 ranks UK nations by the proportion of private businesses that were family-owned. Each nation is additionally colour coded depending on whether family ownership rates were above or below the UK average, when comparing across the same size bands. Colour coding is consistent between Figure 18 and Figure 19.

Figure 19 ranks every English region by the proportion of private businesses that were family-owned. Each region is again additionally colour coded depending on whether family ownership rates were above or below the average

for England, when comparing across the same size bands. Again, colour coding is consistent between Figure 18 and Figure 19.

Compared to sectoral data (see Figure 7), these estimates appear to show a stronger relationship between the total share of private businesses that were family-owned and family ownership rates, after adjusting for firm size. This conclusion is driven primarily by strong correlation in the regions at the top and bottom of Figure 19. Still, there are examples of regions that do not display this relationship;

Figure 18: Family ownership by UK nation with comparison to national averages across size bands, %, 2023

Sources: DBT (2024a), DBT (2024b), NIESR (2023), RepGraph (2020), Cebr analysis

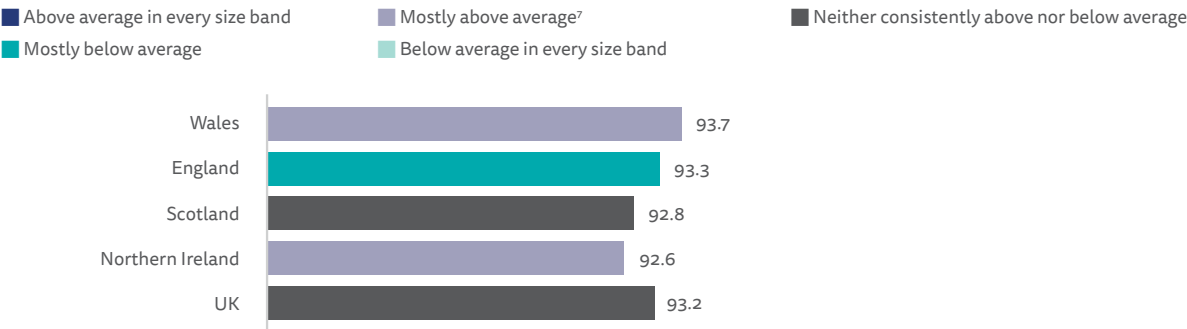
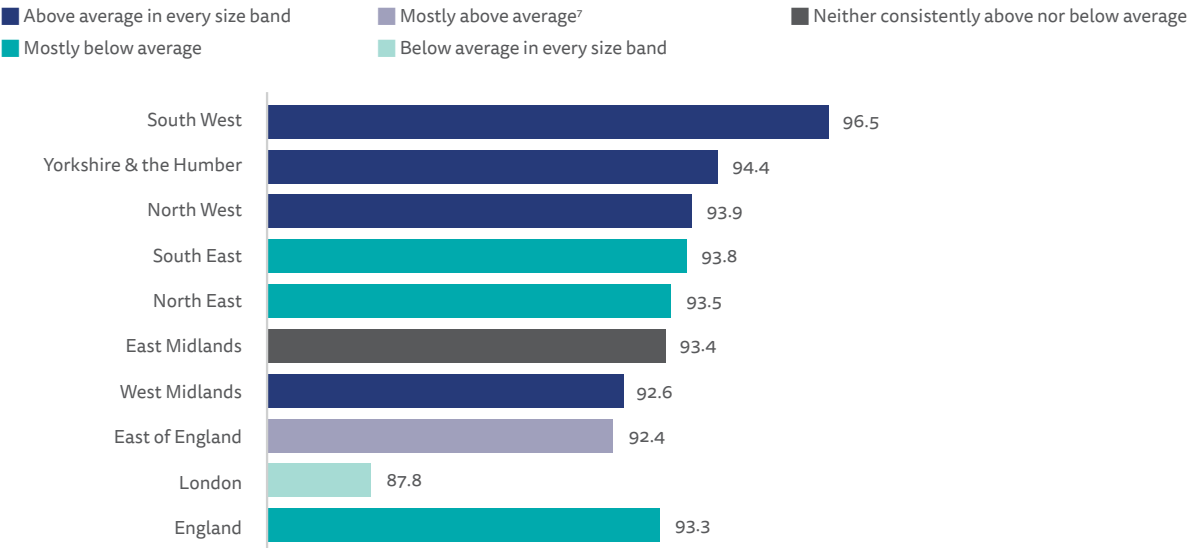


Figure 19: Family ownership by English region with comparison to regional averages across size bands, %, 2023

Sources: DBT (2024a), DBT (2024b), NIESR (2023), RepGraph (2020), Cebr analysis



The West Midlands had above average family ownership rates in every size band despite having a below average total family ownership rate (92.6 per cent), indicating that firms tend to be larger in the region. This confirms that regional differences in family ownership rates are unsurprisingly the result of both difference in business size composition, and differences in underlying family ownership rates.

Ultimately, most English regions had family ownership rates close to the English average (when controlling for business size). No UK nation and only five out of nine English regions had rates which were consistently above or below average in all size bands (41.6 per cent). For contrast, eleven out of fourteen sectors were consistently above or below average (78.6 per cent).

We conclude this section by briefly discussing London. At 87.8 per cent, it had comfortably the lowest rate of family ownership in the UK. This is not just the result of a higher proportion of businesses being larger in the region, as after controlling for firm size, family ownership rates were still below average for all size bands (the only region in which this is the case). As it is the second most populated region in the country (8,945,309 people, 13.1 per cent of the UK's population) (ONS, 2023), we want to highlight the strong effect London had on decreasing the average rate of family ownership. Excluding London, 93.9 per cent of UK private businesses were family-owned, 0.7 percentage points higher than the average when including London. Considering only businesses with employees, excluding London caused the national average to rise from 73.9 per cent to 74.9 per cent.

4. THE ECONOMIC CONTRIBUTION OF FAMILY BUSINESSES IN THE UK

Family businesses generated significant economic activity in 2023. This is reflected in the findings we present in this section, which look at their contributions across five major macroeconomic indicators. These are turnover, gross value added, employment, compensation of employees, and Total Tax Contribution.

The total contributions of family-owned businesses are presented in Figure 20.

When excluding micro businesses without employees from our headline estimates, the turnover produced by the rest of family businesses was £2,414 billion, the number of jobs created by them was 11.3 million, and the total GVA generated was £833 billion. Employee compensation has only been calculated excluding micro businesses without employees, and hence the headline estimate would not differ.

4.1 TURNOVER

In this section, we present the total turnover generated in the family business sector by size, industry, and geography.

In 2023, family businesses accounted for £2,805 billion of turnover, and almost 50 per cent of total private sector turnover that year (Department for Business and Trade, 2024a). Part of this turnover is likely to have been invested

back into the economy, leading, potentially, to more innovation, lower prices, and higher productivity, amongst other benefits.

Figure 21 presents how family business turnover was distributed across size bands.

Despite being the group with the lowest prevalence of family ownership (29.7 per cent of businesses), large family businesses especially contributed to the sector's turnover, having generated £826 billion in turnover in 2023. This is a result of large businesses' inherent size and majoritarian contribution to UK private sector turnover, which explains in turn their equivalent importance to the family business sector.

Figure 21: Family business turnover by firm size, 2023

Sources: DBT (2024a), DBT (2024b), Cebr analysis

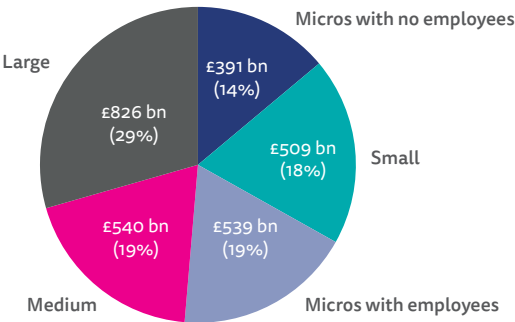
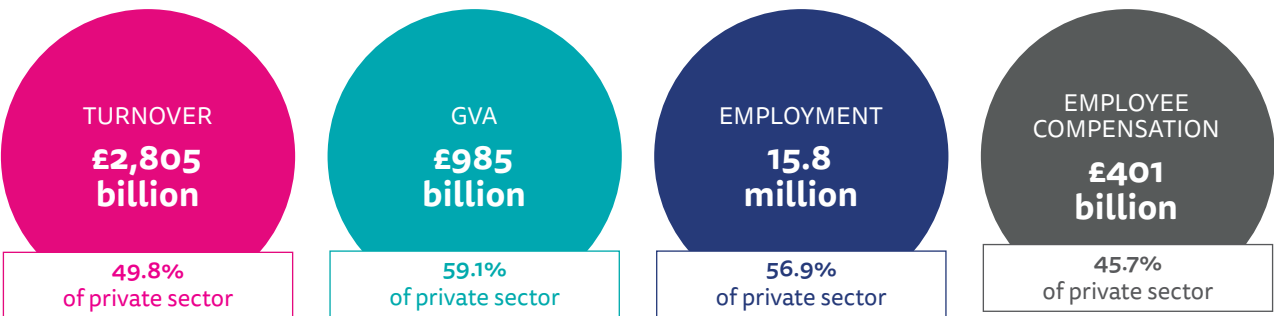


Figure 20: Family businesses' economic contributions, 2023

Sources: DBT (2023), DBT (2024), ONS (2024a), ONS (2024b), Cebr analysis



Industry	Turnover (£m)	Share of family business turnover (%)	Share of private sector turnover in this industry (%)
Wholesale and retail trade	974,226	34.7	53.8
Construction	293,029	10.4	72.0
Manufacturing	286,136	10.2	41.8
Administrative and support services	224,994	8.0	59.8
Professional, scientific and technical services	213,466	7.6	40.7
Primary*	171,992	6.1	48.2
Information and communication	164,884	5.9	40.8
Financial, insurance, and real estate services	142,810	5.1	32.6
Transportation and storage	131,246	4.7	54.8
Accommodation and food services	72,788	2.6	55.8
Human health and social work	56,658	2.0	53.2
Arts, entertainment and recreation	36,119	1.3	44.7
Other service activities*	20,674	0.7	50.5
Education	15,770	0.6	51.9
All	2,804,793	100	49.8

Table 6: Family business turnover by industry, 2023

Sources: DBT (2024a), DBT (2024b), Cebr analysis

*The primary sector covers agriculture, mining, and utilities. Other service activities covers services that are excluded elsewhere, such as trade unions, and religious and political organisations. See endnotes 5 and 6 for a complete description.

Even though micro businesses with employees contributed less to economy-wide private sector turnover than small firms did, the high rate of family business prevalence within this size band – 76.8 per cent of firms – made them the third largest contributor to family business turnover, after large and medium-sized businesses.

Table 6 presents the distribution of family business turnover across industries, and the share of each industry’s private sector turnover attributable to family businesses.

Family businesses in the wholesale and retail trade industry made the largest contribution to UK private sector turnover in 2023, at £974 billion (34.7 per cent of family business turnover), and were followed by firms in the construction (10.4 per cent), manufacturing (10.2 per cent), and administrative and support services sectors (8.0 per cent), in that order.

Notably, 72.0 per cent of the construction industry’s private sector turnover was generated by family businesses, reflecting the large concentration of family ownership in the industry, as described in Section 3.

Additionally, family businesses in certain industries, although very prevalent, contributed comparatively less to the industry’s private sector turnover. The primary sectors, for instance, saw family ownership rates of 96.7 per cent, whilst only 48.2 per cent of their private sector turnover was attributable to these firms. Despite 91.3 per cent of private sector businesses in manufacturing being family-owned, only 41.8 per cent of private sector turnover in the industry was generated by them. It is likely that this

was due to family ownership being disproportionately concentrated in smaller businesses, with lower average turnover levels on a per business basis.

Figure 22 shows the distribution of family business sector turnover across the UK in 2023.

Figure 22: Family business turnover by region and nation, £ million, 2023

Sources: DBT (2024a), DBT (2024b), Cebr analysis



Firms in London were the largest contributors to family business turnover, at an aggregate £722 billion, or 26 per cent of the total £2,805. The second largest contribution to family business turnover came from family firms located in the South East, at £443 billion (16 per cent), followed by family firms in the East of England, at £272 billion (10 per cent).

However, London, as we found in Section 3, was the region where the smallest proportion of firms were family-owned, with a comparatively low 87.8 per cent of businesses in the private sector. We also saw that it was, nevertheless, the region with the most large-sized family businesses, explaining why it also made the largest contribution to total turnover. Although the South West was the region with the highest rate of family ownership (96.5 per cent of

firms in the private sector), it only contributed 7.0 per cent of family business turnover, likely due to most of these being micro businesses.

Figure 23 presents the share of all private sector turnover that was attributable to family businesses in each region whilst Figure 24 presents the same statistics for each nation.

Family businesses in Wales and Northern Ireland were essential to the support of their national economies, with family firms contributing 67.5 per cent and 71.9 per cent of private sector turnover, respectively.

Figure 23: Share of all private sector turnover attributable to family businesses in each English region, %, 2023

Sources: DBT (2024a), DBT (2024b), Cebr analysis

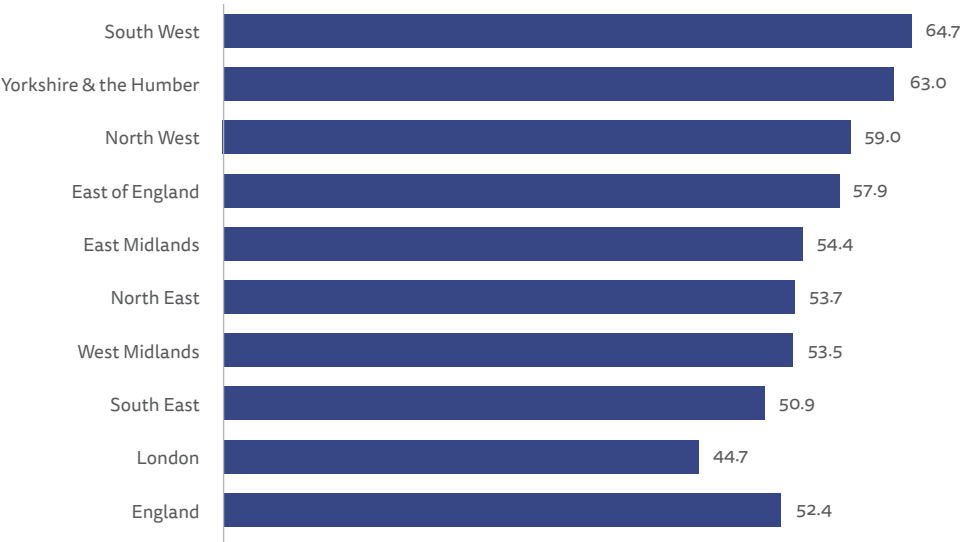


Figure 24: Share of all private sector turnover attributable to family businesses in each UK nation, %, 2023

Sources: DBT (2024a), DBT (2024b), Cebr analysis



4.2 EMPLOYMENT

Next, we present our estimates for the total number of jobs supported by family businesses in 2023, broken down by size, industry, and geography.

Family firms generated essential employment numbers in 2023, accounting for 15.8 million jobs, and 57 per cent of all private sector employment (Department for Business and Trade, 2024a). In supporting employment, family firms would have also assisted aggregate demand in the UK, and consequently, economic growth.

Figure 25 illustrates how employment was distributed across the family firms of different sizes. For consistency

with the source data, micro businesses without employees are here somewhat counterintuitively treated as firms with one employee, because the BPE counts working proprietors as contributing to overall employment (Department for Business and Trade, 2024a).

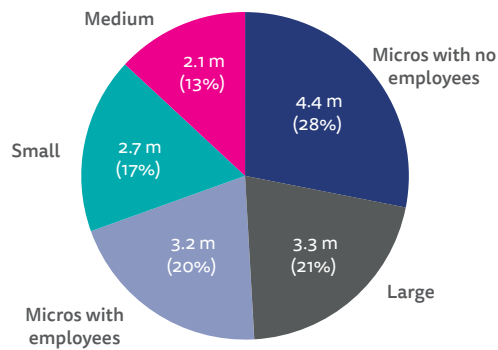
Micro family businesses without employees were the largest contributor to family business private sector employment, supporting 4.4 million working proprietors, or 28 per cent of total family business employment. When excluding micro businesses without employees, total family business employment came down to a total of 11.3 million.

Large businesses, which in 2023 accounted for approximately two-fifths (40 per cent) of private sector employment across the UK (Department for Business and Trade, 2024a), accounted for one in four (28 per cent) of jobs in family businesses, once again due to the relatively lower prevalence of family-owned businesses in this size band. Medium and small-sized businesses, on the other hand, were often family-owned but contributed more moderately to total UK private sector employment, hence their smaller role in supporting family business employment.

Table 7 shows family business employment by industry. It also presents the distribution of said employment and the share of private sector employment attributable to family businesses in each industry.

Figure 25: Family business employment by firm size, in million, 2023

Sources: DBT (2024a), DBT (2024b), Cebr analysis



Industry	Employment (000s)	Share of family business employment (%)	Share of private sector employment in this industry (%)
Wholesale and retail trade	2,733	17.2	68.4
Administrative and support services	1,690	10.7	52.8
Construction	1,669	10.6	80.8
Professional, scientific and technical services	1,508	9.6	55.9
Accommodation and food services	1,469	9.3	57.4
Manufacturing	1,347	8.5	57.9
Human health and social work	1,089	6.9	54.1
Transportation and storage	909	5.7	38.9
Information and communication	832	5.3	51.5
Financial, insurance, and real estate services	652	4.1	54.6
Primary*	602	3.8	63.0
Other service activities*	465	3.0	56.7
Arts, entertainment and recreation	444	2.8	57.2
Education	375	2.4	65.3
All	15,783	100	56.9

Table 7: Family business employment by industry, 2023

Sources: DBT (2024a), DBT (2024b), Cebr analysis

*The primary sector covers agriculture, mining, and utilities. Other service activities covers services that are excluded elsewhere, such as trade unions, and religious and political organisations. See endnotes 5 and 6 for a complete description.

Wholesale and retail remained, as with turnover, the largest contributor to family business employment, having accounted for around 2.7 million jobs in the UK private sector in 2023. Other industries which made large turnover contributions, such as the manufacturing or primary sectors, only moderately contributed to family business employment, mainly due to their comparatively lower employment numbers in these industries in the wider economy. Overall, however, family business employment was less concentrated than turnover, with five industries (administrative services, construction, professional services, accommodation, and manufacturing) all contributing close to 10 per cent of the total.

In certain industries, micro businesses without employees were essential to the support of the wider family employment numbers. In education, for instance, 77 per cent of family business employment was accounted for by micro businesses without employees. When excluding these, family employment in education decreases to 85,000. In the arts, entertainment and recreation industry too, excluding micro businesses without employees reduces the estimate in Table 7 by 61 per cent, from 444,000 to 173,000.

The construction industry generated 80.8 per cent of its private sector employment in family-owned businesses, again illustrating the importance of family ownership to the industry. Other industries with high proportions of their workforce in family firms included the primary sectors and education, where these firms accounted for around 60 per cent of total private sector employment.

Figure 26 shows the distribution of family business employment across the UK in 2023.

Employment was more equally distributed across the UK compared with the distribution of turnover. Family firms in

Figure 26: Family business employment by region and nation, in thousands, 2023

Sources: DBT (2024a), DBT (2024b), Cebr analysis



the South East of England, for instance, accounted for 2.3 million jobs (15 per cent), followed by the East of England at 1.7 million (11 per cent).

Employment in micro businesses without employees was key to some English regions, accounting for 31 per cent of total family business employment in the North East, and 33 per cent in the South East.

Figure 27 presents the share of private sector employment that is attributable to family businesses in each region, and Figure 28 presents the same statistics for each nation of the UK.

Figure 27: Share of private sector employment attributable to family businesses in each English region, %, 2023

Sources: DBT (2024a), DBT (2024b), Cebr analysis

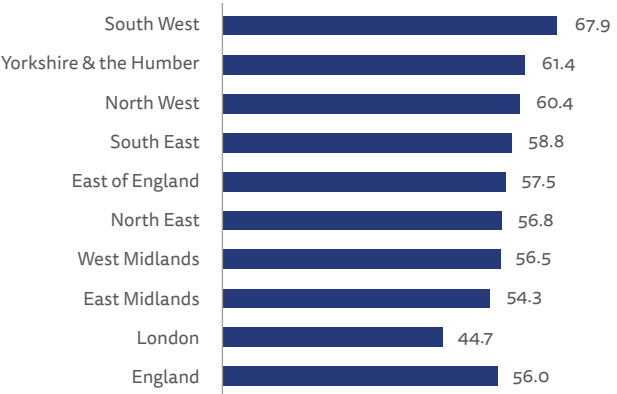


Figure 28: Share of private sector employment attributable to family businesses in each nation, %, 2023

Sources: DBT (2024a), DBT (2024b), Cebr analysis



As with turnover, family business employment was of particular importance to the economies of Northern Ireland and Wales, where jobs in family businesses accounted for around 70.9 and 70.2 per cent of total private sector employment, respectively.

Notably, for both employment and turnover, family businesses in London accounted for less than half of the regional private sector total, and yet generated the largest amount of turnover and supported the most jobs in the family business sector. This is to a degree unsurprising, since large businesses in industries like professional services, which are firms with high turnover and high number of employees, are over-represented in London, but underrepresented in the family business population. Still, those that are family businesses had a very significant impact on the whole sector's contributions.

Figure 29 presents the same data as that shown in Figure 27 but excludes micro businesses without employees, and Figure 30 presents the same statistics for each UK nation.

We see that family firms in certain English regions, such as the South East and the North East, contribute relatively less to regional private sector employment once micro businesses without employees are excluded. Although Northern Ireland remains the nation with the largest family contribution to private sector employment, this decreases by 18.3 percentage points when excluding micro businesses without employees.

4.3 GROSS VALUE ADDED

In this section, we present the GVA contributions made by family-owned businesses in the private sector in 2023, again broken down by size, industry, and geography.

Whilst looking at family business turnover gives us a good indication of the relevance of family businesses to the UK economy, calculating their GVA contributions allows us to more precisely capture the value added of these firms. GVA contributions, additionally, approximate contributions to GDP, and hence allow us to better understand the importance of family businesses to the wider economy.

Figure 29: Share of private sector employment attributable to family businesses in each English region excluding micros without employees, %, 2023

Sources: DBT (2024a), DBT (2024b), Cebr analysis



Figure 30: Share of private sector employment attributable to family businesses in each UK nation, excluding micros without employees, %, 2023

Sources: DBT (2024a), DBT (2024b), Cebr analysis



In 2023, family-owned businesses in the private sector contributed £985 billion to GVA, approximately 59 per cent of the UK total⁸ (Office for National Statistics, 2024a). Figure 31 reflects how this estimate was distributed across size bands.

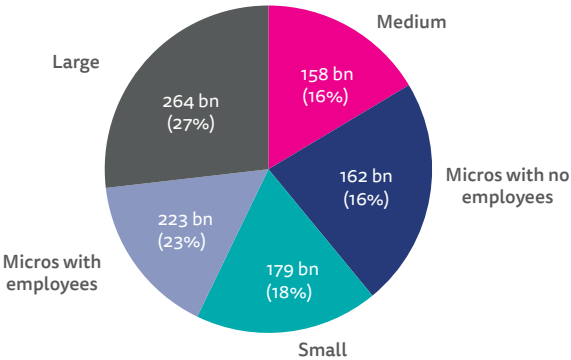
Figure 31 shows that large businesses were the largest contributor to total family business GVA in 2023. They accounted for £264 billion in contributions to GDP (27 per cent of total family business contributions), and were followed by micro businesses with employees, which contributed a total of £223 billion (23 per cent).

Table 8 shows a breakdown of family business GVA by industry, as well as the share of private sector GVA family businesses accounted for in each industry.

Family businesses in wholesale and retail made the largest contributions to GDP, at £140 billion (14.2 per cent of family businesses' contributions). Firms in administrative and support services, professional services, and construction, made similarly large contributions, generating between £117.5 billion and £121.6 billion each.

Figure 31: Family business GVA by firm size, 2023

Sources: DBT (2024a), DBT (2024b), ONS (2024a), Cebr analysis



Family businesses in construction, as was the case for employment and turnover, accounted for the largest share of any industry's GVA, at 85.3 per cent. Others, like the human health and administrative sectors, also saw a significant share of their GVA supported by family businesses, both above 70 per cent.

Table 8: Family business GVA by industry, in 2023⁹

Sources: DBT (2024a), DBT (2024b), ONS (2024b), Cebr analysis

Industry	GVA (£m)	Share of family business GVA (%)	Share of private sector GVA in this industry (%)
Wholesale and retail trade	140,338	14.2	53.1
Professional, scientific and technical services	121,632	12.3	54.5
Administrative and support services	121,596	12.3	73.4
Construction	117,520	11.9	85.3
Manufacturing	93,331	9.5	46.6
Financial, insurance, and real estate services	82,880	8.4	75.9
Information and communication	81,085	8.2	47.9
Transportation and storage	59,071	6.0	56.0
Primary*	55,179	5.6	57.2
Accommodation and food services	37,340	3.8	60.3
Human health and social work	35,110	3.6	75.6
Arts, entertainment and recreation	17,266	1.8	56.6
Other service activities*	12,330	1.3	57.6
Education	10,262	1.0	28.4
All	984,940	100	59.1

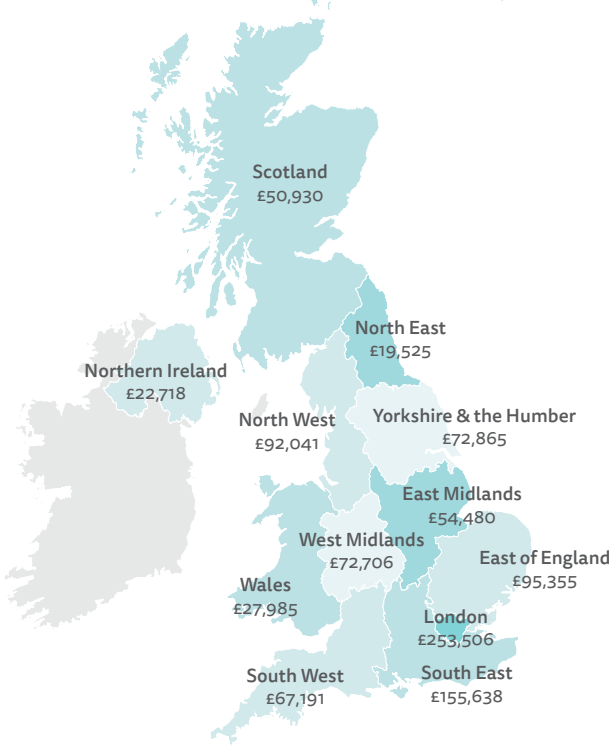
*The primary sector covers agriculture, mining, and utilities. Other service activities covers services that are excluded elsewhere, such as trade unions, and religious and political organisations. See endnotes 5 and 6 for a complete description.

Figure 32 visually illustrates the distribution of family business GVA across the UK in 2023.

Family-owned firms in London contributed most to GDP, with a total contribution of £254 billion, or 26 per cent of total family business GVA.

Figure 32: Family business GVA by region and nation, million, 2023

Sources: DBT (2024a), DBT (2024b), ONS (2024a), Cebr analysis



4.4 COMPENSATION OF EMPLOYEES

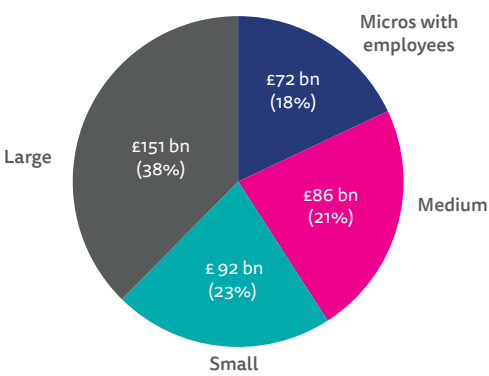
In this section, we present the total compensation of employees paid by family businesses in the private sector in 2023, broken down by size, industry, and geography.

In 2023, family-owned businesses paid £401 billion in employee compensation, representing 45.7 per cent of the UK private sector total. The salaries paid to family business employees would have, as employees consumed goods and services, ultimately supported more jobs and growth elsewhere in the economy. In fact, given how prevalent family businesses are in the UK, it is likely some of that employee compensation would have been spent at other family businesses, and returned to the sector in the form of revenue.

Figure 33 presents the distribution of employee compensation across size bands.

Figure 33: Family business employee compensation by firm size, 2023

Sources: DBT (2024a), DBT (2024b), ONS (2024b), Cebr analysis



As noted in the methodology, and in line with the UK national accounts framework, in Figure 33 and in the rest of this section we have excluded micro businesses without employees from our COE calculations.

As can be seen, and as was the case with GVA, large businesses were the largest contributors to family business employee compensation, paying £151 billion to their employees, or 38 per cent of the family business total. Micro businesses with employees accounted for the smallest share of family business COE (18 per cent), due mainly to their comparatively lower contributions to employee compensation (i.e. lower average wages) in the wider economy (Office for National Statistics, 2024b).

Table 9 shows an industry breakdown of family business employee compensation (excluding micro businesses without employees) in 2023.

We see here that family businesses in industries with high rates of family ownership and associated employment – construction, administrative and support services, wholesale and retail trade – also made the largest contributions to family business employee compensation. Businesses in the professional, scientific, and technical services in particular contributed the most, at £58 billion paid. In this industry, family businesses paid an average of £46,464 per annum per employee.

Although family ownership was more common in industries like construction than in the professional services, the average salary paid per annum in the former was lower, at £28,494. This was below the 2023 average per annum salary for the industry, which was £35,875 (Office for National Statistics, 2023a). As we saw in Section 3, this pattern is most likely due to the overrepresentation of family businesses in the smaller

Table 9: Family business employee compensation (COE) by industry, 2023

Sources: DBT (2024a), DBT (2024b), ONS (2024b), Cebr analysis

Industry	COE paid by family employers (£m)	Share of family employer COE (%)	Share of private sector COE in this industry (%)	Average per annum salary paid by family employers (£)
Professional, scientific, and technical services	58,078	14.5	43.8	46,464
Wholesale and retail trade	55,157	13.8	43.7	24,339
Administrative and support services	50,840	12.7	61.1	36,273
Construction	39,420	9.8	68.7	28,494
Manufacturing	37,529	9.4	36.2	33,604
Information and communication	33,235	8.3	38.6	48,194
Human health and social work	27,301	6.8	63.6	30,225
Transportation and storage	26,964	6.7	47.0	35,758
Financial, insurance, and real estate services	20,579	5.1	43.3	38,075
Accommodation and food services	18,723	4.7	51.1	15,373
Education	9,863	2.5	21.3	31,751
Primary*	9,582	2.4	45.0	19,189
Arts, entertainment, and recreation	7,106	1.8	34.4	19,300
Other service activities*	6,714	1.7	42.2	17,419
All	401,090	100	45.7	29,522

*The primary sector covers agriculture, mining, and utilities. Other service activities covers services that are excluded elsewhere, such as trade unions, and religious and political organisations. See endnotes 5 and 6 for a complete description.

size bands in the industry, which on average tend to pay lower wages.

Figure 34 visually illustrates the distribution of family business employee compensation across the UK in 2023.

As seen in Figure 34, family businesses in London paid the most in employee compensation, at £84 billion (21 per cent of total family business COE), followed by firms in the South East of England with £64 billion (16 per cent), and in the North West with £42 billion (11 per cent).

4.5 TOTAL TAX CONTRIBUTION¹⁰

PwC estimated that, for 2021, Total Tax Contribution (TTC)¹¹ as a percentage of turnover for family businesses was 18.5 per cent. By updating their estimate, we found that family business TTC as a percentage of turnover was 17.5 per cent for 2023. In other words, for every £100 of turnover generated by family businesses, £17.50 is paid in taxes. This slight decrease reflects how private sector turnover across the economy has grown at a faster pace than taxes between 2021 and 2023. Note the analysis in this subsection does not include micro businesses without employees, as these were not included within the original survey performed by PwC.

By applying this TTC as percentage of turnover estimate to our analysis on the turnover contribution of family businesses, we estimate that family businesses contributed £422 billion of taxation to the public finances in 2023. Of

this total, we estimate that £142 billion (33.7 per cent) was generated through taxes borne whilst £280 billion (66.3 per cent) was through taxes collected.

Figure 34: Family business employee contribution by region and nation, million, 2023

Sources: DBT (2024a), DBT (2024b), ONS (2024b), Cebr analysis



5. CONCLUSION

In 2023, family businesses demonstrated their continued resilience despite what, particularly following the Covid-19 pandemic, had been a challenging period for the UK economy. Through our analysis, we found evidence of their continued contribution to all industries, regions and nations across the UK, highlighting their crucial role within the UK economy.

We estimated that there were 5,126,505 family businesses in the UK in 2023, accounting for 93.2 per cent of all businesses. Of these, 1,054,680 had employees, making up 73.9 per cent of all employing businesses. In terms of their economic contribution, family firms generated £2,805 billion in turnover (49.8 per cent of the private sector total), 15.8 million jobs (56.9 per cent), £985 billion in GVA (59.1 per cent), £401 billion in employee compensation (45.7 per cent), and contributed £422 billion in taxes.

We found that as firm size increases, the rate of family ownership decreases. Nevertheless, despite the lower prevalence of family ownership amongst large businesses, large family businesses were still the major contributors to most of the economic variables we considered in this study. For example, these firms accounted for 29.4 per cent of total family business turnover, 21.0 per cent of employment, 26.8 per cent of gross value added, and 37.6 per cent of employee compensation.

Despite being major players in all industries, family firms were particularly important to the performance of certain areas of the economy. Firms in construction, for example, accounted for 72.0 per cent of total private sector turnover in the industry and 80.8 per cent of employment – the highest proportions for any industry. The largest private

sector contribution in absolute terms, however, was made by family firms in the wholesale and retail industry, at £974 billion in turnover and 2.7 million jobs.

Whilst vital across the UK, family firms were particularly important for the economies of Wales and Northern Ireland. Wales had the highest rate of family ownership out of any UK nation (93.7 per cent of businesses were family-owned), whilst Northern Ireland had the highest rate of family ownership for solely businesses with employees (75.0 per cent), with the family business sector also accounting for 71.9 per cent of private sector turnover and 70.9 per cent of private sector employment.

Amongst English regions, London stood out as having comfortably the lowest rate of family ownership. Only 69.4 per cent of businesses with employees were family-owned in London, 3.8 percentage points lower than the next lowest English region, South East England (at 72.2 per cent). Despite this, London still had a disproportionately high number of family businesses with employees relative to its population, driven by the high overall level of economic activity across the capital.

Ultimately, the economic impact of family businesses was felt strongly across the UK economy in 2023, whether through the employment and salaries the sector supported, the turnover generated, or the overall contribution to national and regional GDP. By no means is the impact of family businesses purely economic – they are also integral to the UK's social and cultural fabric – but from an economic perspective, recognising and understanding their vital contribution should be of great importance.

ANNEX

RE-WEIGHTING OF THE DATA

In order for the sample response rates to this question to be applicable to the wider population (all businesses in the UK), the data needed to be weighted according to the number of businesses of each type in the population, so that no demographic was over or underrepresented.

Although the LSBS data includes weights, in the version accessible these were not calculated at sufficient geographic granularity for analysis, and we thus estimated our own weights utilising 2024 Business Population Estimates (BPE) demography data. Specifically, the LSBS weights (or controls for) three dimensions: size, industry, and nation. Using data weighted in this way to get regional estimates for the constituent English regions would have only served to approximate the actual figures, since regional estimates would have been driven by the other characteristics of the firms in each region (for example, the industry they belong to), rather than by any meaningful inter-regional effect. Therefore, in order to produce robust regional estimates, we re-weighted respondents by region rather than by nation (as well as across industry and size).

Additionally, in the weighting process carried out by the survey organisers, they merged certain industries due to data availability restrictions. Given the many cross-breaks needed to weight across three dimensions, blank cells in the data were a likely occurrence. For consistency, we have in this report merged the same industries, which were the primary sectors (agriculture, forestry and fishing, mining and quarrying, electricity production, and water supply and sewerage) into one, and the financial, insurance, and real estate services into another.

CALCULATING TTC

Broad data for the tax contribution of family businesses are not available. To get around this, PwC conducted their own survey of 44 family businesses' tax contributions in 2021. They used this to estimate a ratio of family business Total Tax Contribution (TTC) as a percentage of turnover in 2021, alongside providing a breakdown by taxes borne and taxes collected.

To develop our growth rate, we used His Majesty's Revenue and Customs (HMRC) data for receipts by tax category (HM Revenue & Customs, 2024) to calculate the TTC of all private businesses in the UK, first for 2021 and then for 2023. Because tax data is presented by financial year, we weighted accordingly to convert to calendar year. Dividing these values by BPE turnover figures for 2021 and 2023 provided us with estimates for private sector TTC as a percentage of turnover for the two years. Using a parallel trend assumption¹², we assumed that changes in tax policy and wider economic conditions between 2021 and 2023 affected family businesses by the same proportion as all private businesses. Thus, we multiplied PwC's 2021 estimate with our growth rate to estimate TTC as a percentage of turnover for family businesses in 2023. Finally, to calculate TTC figures for family businesses in absolute terms, we then multiplied our updated TTC as a percentage of turnover value by our family business turnover estimates.

To calculate taxes borne and taxes collected by family businesses, we use a similar parallel trends assumption to before. We began by assigning every tax category in the HMRC data as either a tax borne or collected. From there, we calculated the relative growth rates of taxes borne and taxes collected across all private businesses from 2021 to 2023. Finally, we applied these growth rates to the 2021 values to estimate a new proportion of taxes borne and collected as shares of family business TTC in 2023.

ENDNOTES

- 1 Not every business surveyed in the MWPS operated in the private sector. Of the 2,489 respondents to the survey, 1,856 were in the private sector, 377 in the public sector, and 256 in the charities sector.
- 2 Mixed income is defined as part of gross operating surplus (GOS), which is a component of GVA but distinct definitionally from COE.
- 3 As the PwC analysis does not include family businesses without employees, our results should not be interpreted to include them either.
- 4 The reason there is a breakdown by English but not Scottish, Welsh, or Northern Irish region is to do with how the ONS classifies administrative areas. There are three levels of classification: International Territorial Level (ITL) 1, ITL 2, and ITL 3. ITL 1 consists of 12 administrative areas, ITL 2 has 41, and ITL 3 has 179. At each level, administrative areas are intended to be of roughly comparable population and geography. That is why, at the ITL 1 level considered by this paper, a breakdown is given only by English regions, but not for other UK nations.
- 5 Our 'Primary' classification refers to businesses in agriculture, forestry, and fishing, in mining and quarrying, in electricity, gas, steam and air conditioning supply, and in sewerage, waste management, and water supply.
- 6 'Other service activities' includes all service activities not included in any specific sector, such as the activities of membership organisations, the repair of computers, and the repair of personal and household goods.
- 7 'Mostly above average' means family ownership rates are above average in three of the four size bands (vice versa for 'mostly below average'). 'Neither consistently above nor below average' is equivalent to being above average for two size bands and below average in the other two.
- 8 The 2022 total GVA estimate has been scaled up to a 2023 estimate using growth in GDP low level aggregates, published in 2023.
- 9 Given the methodological differences in the estimation of the previous two variables and GVA, the share of industry GVA attributable to family businesses cannot be directly compared with the share of employment or turnover attributable to these businesses. Specifically, the percentage of total GVA attributable to family businesses leverages Annual Business Survey (ABS) data as the estimate for total private sector GVA, whereas employment and turnover rely on the Business Population Estimates (BPE). Where available we utilise BPE data for consistency with the source data for calculations of family business impacts. However, the BPE does not publish GVA figures, necessitating the utilisation of ABS data here. Where these two surveys can be compared, ABS turnover estimates for 2022 were slightly larger than BPE equivalents, meaning that the share of industry GVA that is produced by family businesses might look to be larger than the share of industry employment or turnover supported in these businesses. Additionally, although micro businesses without employees made up the majority of family firms in our demographic analysis, their more moderate contribution to GVA means that, here, they do not represent a large share of the family business GVA estimated.
- 10 We provide a disclaimer that the analysis in this section is an attempt to update PwC's estimate for TTC as a percentage of turnover for family businesses in 2021; it should not be interpreted as independent analysis performed by Cebr.
- 11 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 organisations. When divided by turnover, it provides a measure of tax contribution that is intended to be scale invariant. See Total Tax Contribution in Section 2 for further detail.
- 12 A parallel trends assumption works as follows: suppose you have two businesses, firm A and firm B. Firm A pays £10 million in taxes one year, whilst firm B pays £5 million. The next year, firm A is found to pay £11 million, a 10 per cent increase. To estimate firm B's contribution, we assume it experiences the same trend; tax contribution increases by 10 per cent, so it now pays £5.5 million. This assumption is more likely to hold if firm A and firm B are similar, or the time span is short.

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