



Update 2021: Family Businesses' Contribution to the U.S. Economy

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Background

- In 1996 and 2003, a groundbreaking study of the impact of family businesses on the U.S. economy and society was conducted.
- The study conceived family businesses along a continuum of definitions, ranging from narrow, to medium, to broad, depending on the level of family influence on the business. This system was named the family business bull's eye.
- The study helped to shape policy including elements of the Contract with America, changes in estate tax laws, and the inclusion of the idea of family business in many aspects of government policy and legislation.

Objective of the 2021 Update

- Update and further assess the economic impact of family businesses.
- Provide decision makers, regulators and legislators with data, scientific arguments and justifications.
- Support in crafting policy and taking measures in this remarkable time of change and economic and societal progress.

Foundation of the 2021 Study

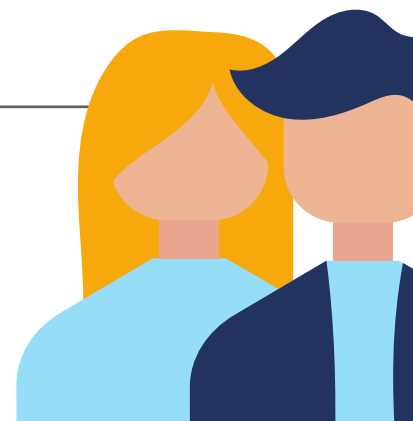
A survey was distributed to calculate estimators and a secondary dataset was used to assess the robustness of the survey results.

- Obtaining reliable information on the number and structure of family businesses has been a considerable challenge to research and practice.
- To help calculate new estimators of the distribution of family and non-family businesses in the overall U.S. firm population, one relevant dataset could be obtained (SDBC Dataset).
- Since the SBDC dataset was not fully representative of the U.S. firm population and was already somewhat dated, a priori sampling was needed.



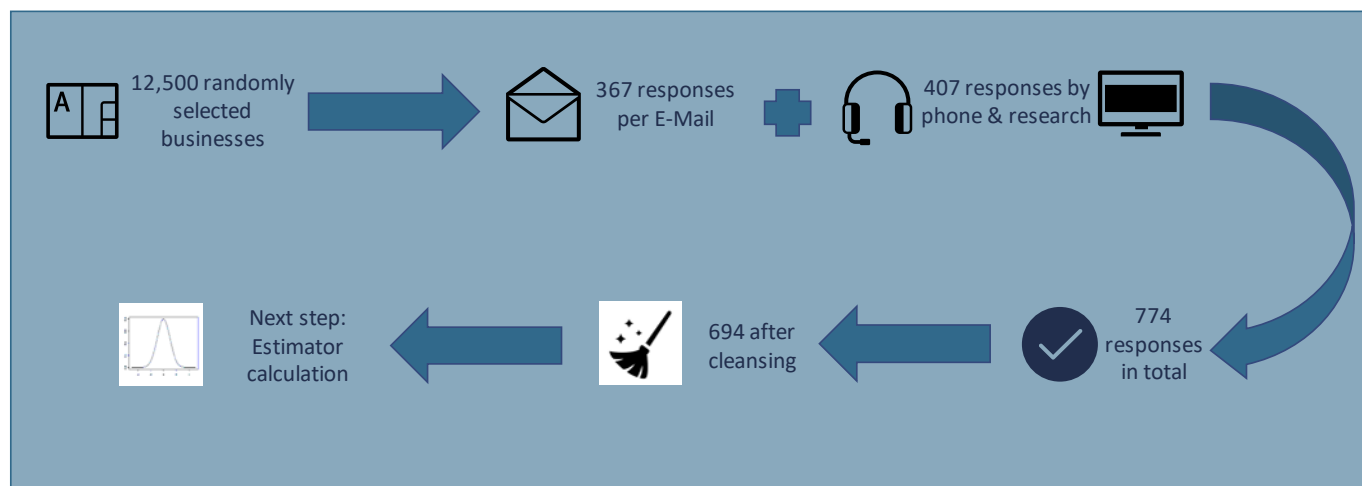
- Establish the most current and methodologically sound estimates for assessing the proportion of family businesses among the overall population of U.S. firms and gauge their impact on the U.S. economy.

Family Enterprise USA: FEUSA, was formed in 2007, represents all family businesses on a national level in DC; it is not unique to any industry. Their sole mission and purpose are to promote family businesses and their job growth in America. It is a 501(C)(3); www.familyenterpriseusa.com



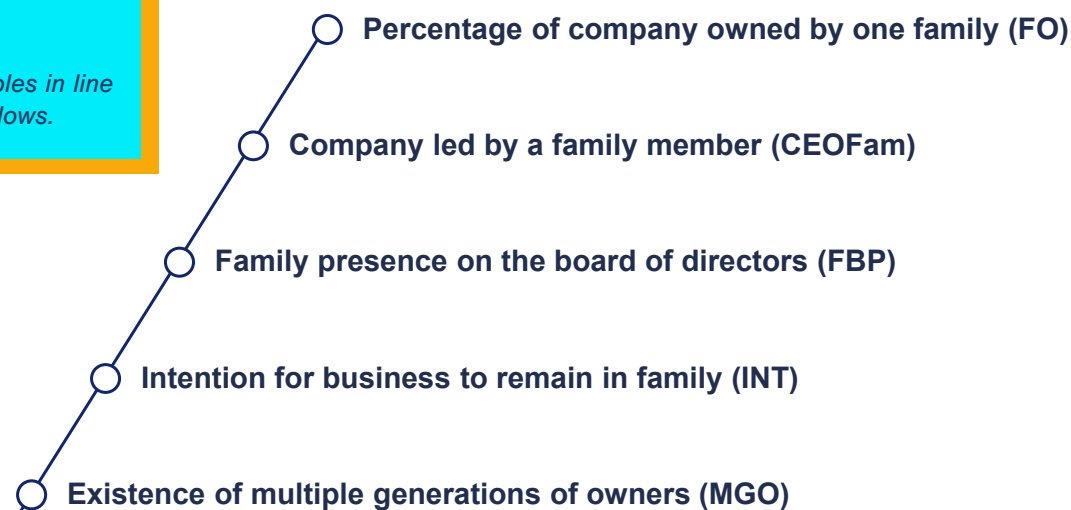
Data Collection

After the elimination of incomplete data, 694 out of 774 records remained for our estimator calculation.



Variables

In order to quantify the bull's eye, variables in line with the 2003 study were defined as follows.

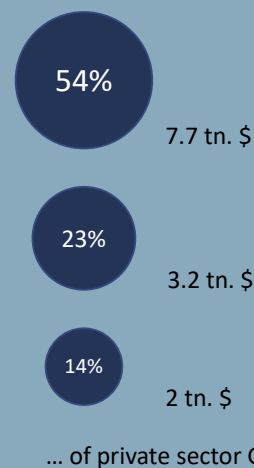


Contribution to Gross Domestic Product

In a final step, the family business impact on the Real Gross Domestic Product (GDP) was estimated.

GDP by Sector	GDP (billions of \$)	%
Total	21,433	100
Private industries (non-farm)	14,158	66
Private industries (farm)	175	1
Government (Federal, State and Local)	7,100	33

Bull's eye classification



Number of FBs and business tax returns

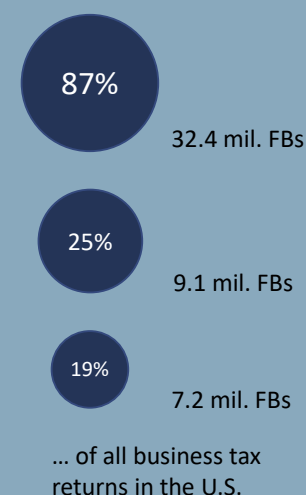
To calculate the numbers, information was drawn from the Statistics of U.S. Businesses by Employment Size and the Internal Revenue Service.



Type of tax return	Number of tax returns	%
Total	36,994,324	100
Sole Proprietorships	25,226,245	68
Partnerships	3,715,187	10
Corporations	6,119,565	17
Farms	1,933,327	5

Source: US Department of Treasury - Internal Revenue Service, 2015

Bull's eye classification



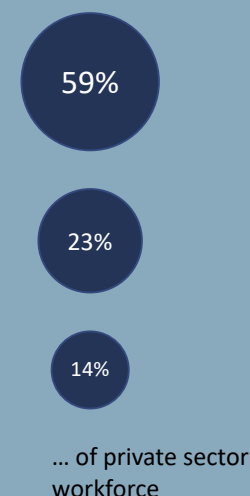
Percentage of workforce

To quantify the contribution of family businesses to employment, the ratio of paid employees per employment class was obtained from the U.S. Census Bureau.

US Workforce in 2019	No. of Employees (thousands)	%
Total Workforce	162,796	100
Private (Non-farm)	137,899	83
Private (Farm)	2,304	1
Government	22,593	15

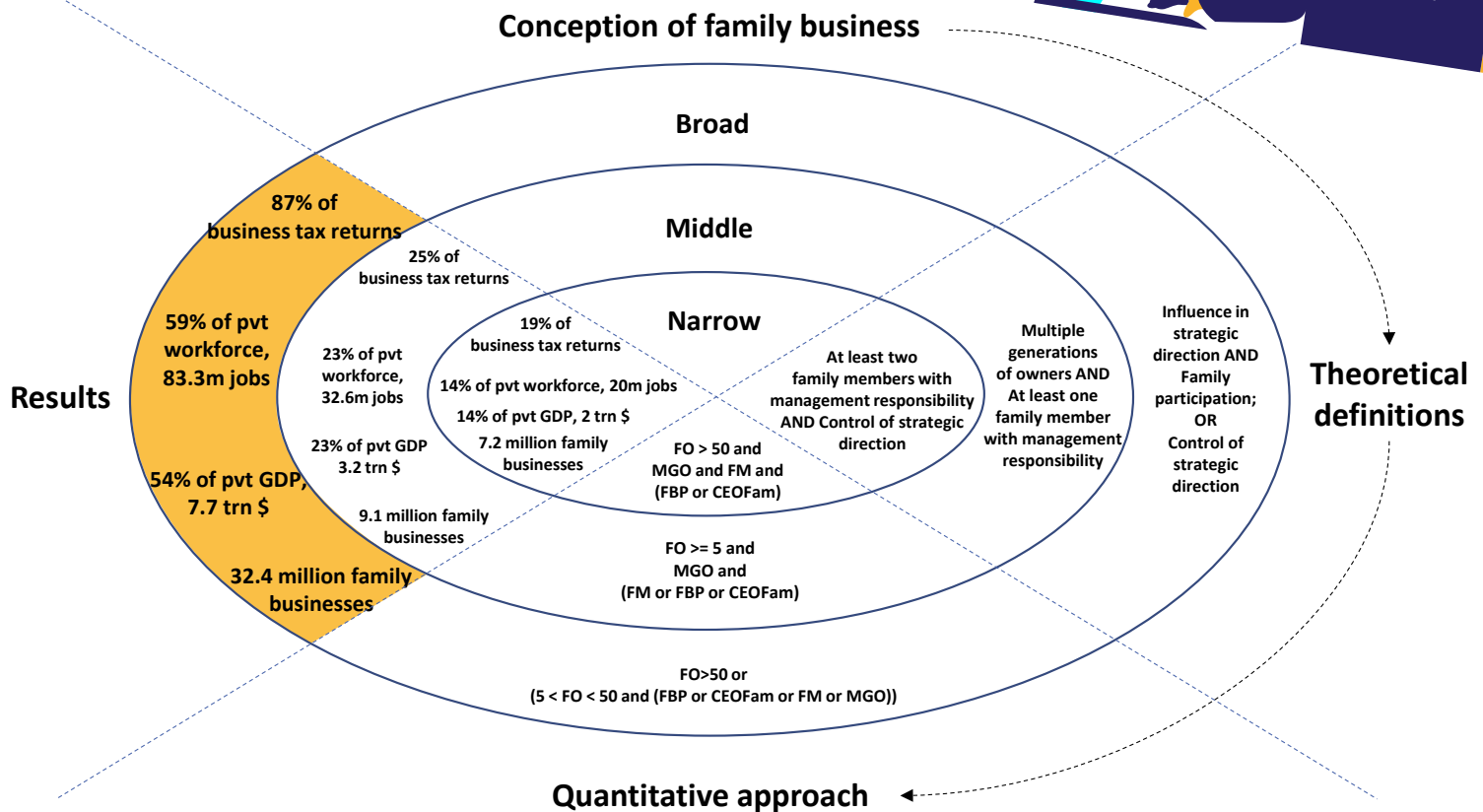
Source: US Department of Labor - Bureau of Labor statistics, 2019

Bull's eye classification



The 2021 Bull's Eye of Family Business Impact

Great changes can be seen in the middle and narrow rings compared to 2003.



59%
of private sector
workforce

accounting for
83.3
million jobs

32.4
million family
businesses

54%
of private
sector GDP

contribute
\$7.7
trillion to GDP



View the full report by following this link or scanning the code to the right!
<https://familyenterpriseusa.com/polling-and-research/family-business-economic-research/>

