Stiftung
Familienunternehmen

Press release

Munich, 23 September 2020

Family businesses are a key stability factor for rural areas. Peripheral areas are far more successful when they have many family businesses.

Family businesses are a decisive factor in establishing equality in living conditions between urban and rural areas. In rural regions with many family businesses, the population is increasing and fewer young people are leaving. Regions with a high density of family businesses also have a higher level of prosperity, higher training rates, lower unemployment figures and are more innovative.

These are the results of the first scientific study which comprehensively examines the contribution of family businesses to rural areas. It provides important findings on fulfilling the constitutional mandate of ensuring equality in living conditions between urban and rural areas. The study was produced by the Institute for Economic Research (IW) on behalf of the Foundation for Family Businesses.

“Family businesses ensure that people can live well outside big cities. They strengthen social and economic cohesion and enable the same living conditions in urban and rural areas,” says Professor Rainer Kirchdörfer, member of the Executive Board of the Foundation for Family Businesses. “There can only be equal living conditions in Germany with strong family businesses.”

The study examines how 215 rural districts perform with regard to population development, innovation, prosperity, unemployment, education and local finances. It also records the proportion of family businesses. To better examine the importance of family businesses for a region, the researchers focus on larger family businesses with 50 or more employees and on relevant sectors. The family businesses thus identified employ 2.5 million of the overall 5.7 million workers at all comparable companies.

In all categories without exception, districts with a high proportion of family businesses performed better:

- The **unemployment rate** is lower in districts that are heavily dominated by family businesses than in the group with the lowest proportions (2.8 percent vs. 5.5 percent). These districts also experienced especially high **employment growth** in the ten-year period (21 percent vs. 15 percent).
- The **training rate** rises with a high incidence of family businesses: in regions with the highest proportion of family businesses, it reaches 4.9 percent, compared with 3.7 percent in rural regions with few family businesses.

- **Population development** is also far more positive. While the population in the areas with a higher proportion of family businesses enjoyed positive development on average during the period from 2008 to 2018 (+2 percent), the population in regions with a below-average proportion of family businesses decreased (-2.6 percent). The district of Erding (Bavaria), where the number of family businesses is above-average, achieved the highest growth (11 percent). The district of Mansfeld-Südharz (Saxony-Anhalt), with a below-average proportion of family businesses, had the strongest population decrease. "Family businesses contribute to binding young people more intensively to the region and hence safeguarding the local strengths and prosperity in the regions," note the authors.
- Regions with many family businesses are also more innovative. On average, rural areas with a very high proportion of family businesses report almost three times as many patents per 100,000 workers subject to social security contributions (120 vs. 45 applications). The proportion of people employed in the mathematics- and science-dominated **STEM professions**, which are important for innovation, is also higher (22.5 percent vs. 20 percent).
- In regions with an especially high proportion of family businesses, the **gross domestic product per capita** of an average of €33,200 is higher than in the groups with low proportions of family businesses (just under €28,500 per capita). And the more a district is dominated by family businesses, the higher its **purchasing power. Productivity** is also higher.
- **Local finances** are better in regions with higher proportions of family businesses. On average, public debt in regions dominated the most by family businesses is 11 percent lower than in areas with a lower proportion of family businesses (€1,200 vs. €1,355 per inhabitant).

"Family businesses assume responsibility in their home regions," says Kirchdörfer. "While most anonymous major corporations have their headquarters in the big cities, family businesses are firmly rooted in their regions. Many of them are global market leaders. They offer qualified employment not only in manufacturing but also in research and development. This economic strength has a positive effect on an entire region."

The results of the study should therefore serve as a guide for policy makers. "We are envied worldwide for this decentralised structure of strong family businesses. Politicians should strengthen this landscape," says Kirchdörfer. "Family businesses will only be able to be successful from the regions if the general conditions there are good."

The coronavirus crisis, for example, has clearly demonstrated once again that the digital infrastructure in many places must be urgently improved. Support should be given to setting up innovation hubs in rural regions. A well-developed education system is also important – from childcare facilities to universities and vocational schools.

» Download Study „Die Bedeutung der Familienunternehmen für ländliche Räume" in German

Further information:

Andre Tauber
Head of Communications

Stiftung Familienunternehmen
Prinzregentenstrasse 50
D-80538 Munich, Germany

Phone: +49 (0) 89 / 12 76 400 06
Fax: +49 (0) 89 / 12 76 400 09

Mobile: +49 (0) 172 / 63 190 09

tauber@familienunternehmen.de
www.familienunternehmen.de

@StiftungFamUnt

Explanatory videos