

A photograph of two men in a warehouse setting. The man on the left is Black, wearing a yellow hard hat, glasses, and a high-visibility vest over a grey t-shirt. He is holding a large sheet of paper. The man on the right is white, wearing a white hard hat and a high-visibility vest over a grey suit jacket. He is pointing at the paper with his right hand. In the background, there are stacks of wooden planks. In the foreground, there is a table with a laptop, a coffee cup, and some papers.

xero

THE OVERLOOKED ECONOMY

Understanding the businesses that
keep communities moving



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THE OVERLOOKED ECONOMY

Britain depends on millions of businesses employing fewer than ten people. They build our homes, stock our shelves, move our goods, fix our cars and advise our companies.

We looked at twenty sectors. Together they support almost one in six private sector jobs, 3.8 million. They generate £868 billion in turnover and contribute nearly £97 billion a year in taxes.

3.8m

private
sector jobs
supported

£868bn

turnover
generated

£97bn

taxes
contributed
in a year

Yet they are too often absent from the debates that shape business policy.

They are not just overlooked by government. They are overlooked by the institutions that influence how we think about business: policymakers, the mass media, commentators, campaigners and, ultimately, the public.

We call this Britain's overlooked economy. And it's time they got the recognition they deserve.



BRITAIN HAS AN OVERLOOKED ECONOMY

These are the businesses that create jobs, contribute to the economy and collectively pay billions in tax. Our economy depends on them. But you wouldn't know it when it comes to our national conversation.

These are the smallest businesses. They provide vital services but fly under the radar.

We picked the twenty sectors with the highest turnover from businesses employing 0-9 people. They:

Represent

3.3m
businesses

Create almost one
in six jobs

(3.8m)

in the private sector

Pay

£189bn
in wages and
employee benefits

Generate

£868bn
in turnover

Pay

£97bn
in business taxes

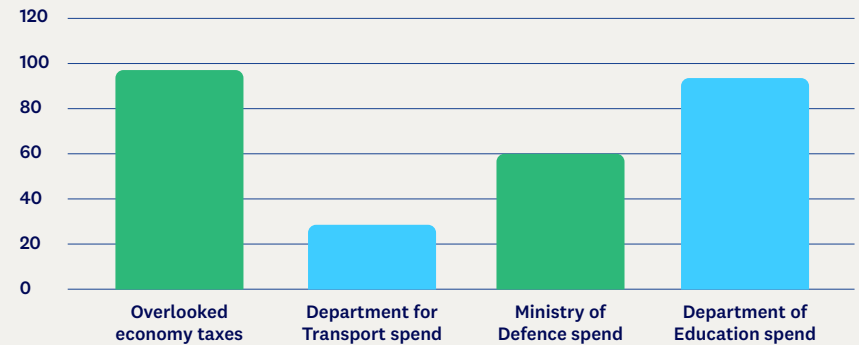
Contribute

£360bn
to the economy directly in
gross value added (GVA)*



Gross Value Added (GVA) measures how much businesses actually contribute to the economy. Rather than counting all the money that passes through a business (turnover), it strips out the cost of goods and services bought from others, leaving the value the business itself creates.

Taxes paid by those in the overlooked economy compared with Government department spend (£bn)



In 2024/25, the overlooked economy generated more in corporation taxes, VAT, national insurance and income tax than the UK government spends on education, defence or transport

The overlooked economy is not simply a collection of statistics. It is the foundation of our economy. It is made up of people that we rely on every day.

The electrician fitting out a new school. The café owner opening before dawn. The farmer producing food. The mechanic keeping delivery vehicles on the road. The wholesaler ensuring shelves remain stocked. The accountant helping a local business grow. The IT consultant keeping systems running.

While each of these are essential, they are rarely top of mind. So when it comes to providing support or creating business policy, their needs are rarely paramount. Sometimes, they are ignored altogether.

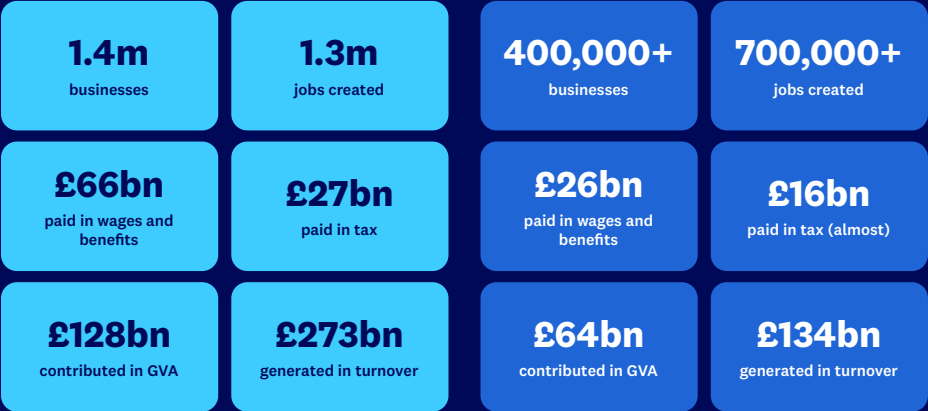


UNDERSTANDING WHO IS OVERLOOKED

The sectors of the overlooked economy fall into four broad families, made up of people who make our lives possible.

The building Britain sectors

People who create and maintain the physical country: builders, electricians, civil engineers, architects, surveyors, landscapers and farmers.



Sectors:
agriculture & farming, building construction, civil engineering, trades & fittings, architecture & engineering, facilities & landscaping.

The serving communities sectors

The businesses people walk into every day: shopkeepers, café owners, estate agents and mechanics.



Sectors:
motor vehicle trade, hospitality & catering, real estate, rental & leasing.

The keeping communities running sectors

The hidden machinery of the economy: wholesalers, hauliers and other transport, recruiters, office support and utilities.



Sectors:
energy & utilities, wholesale trade, retail trade, transport & logistics, recruitment & staffing, office & admin services.

The independent expert sectors

The expertise that others depend on: solicitors, accountants, IT consultants, designers and business advisers.



Sectors:
IT & tech services, legal & accounting, management consultancy, professional services.

Collectively these families represent millions of businesses employing fewer than ten people. They create jobs and economic growth, contribute billions in tax and keep communities running. And too often, they are not seen.

“

What we do is essential. Yet it feels like we’re overlooked because we’re not on the high street and builders are often portrayed negatively in the press. The people that set policies have no idea what it’s like running a business like ours. Recent regulatory changes cost us more than £100,000 to make our fleet ULEZ compliant. We won’t see that money again.

Kyle Hyams,
Company Director, Insta Services (construction company, Surbiton), Overlooked family: building Britain

”



WHY THE OVERLOOKED ECONOMY IS UNNOTICED

The overlooked economy does not lack importance. It lacks visibility.

The institutions that shape public debate naturally focus on the biggest employers, the best-known brands and the issues that make headlines. These have communications teams, trade bodies and well-established ways of making their voices heard. Smaller businesses rarely do.

The overlooked economy works differently. Millions of smaller businesses, each with limited influence but enormous collective importance, struggle to be heard. They cannot employ big public relations and lobbying machines that drive public awareness. They remain outside the conversation, easier still to overlook.

The result is an incomplete picture of Britain's economy. This is reflected in the mass media, public debate and, ultimately, policy. It isn't only a political issue.

Parliament is one place where we can see this happening, and it can be measured as an example of a much wider pattern.

It is not the story itself, but evidence of how Britain sees its economy.

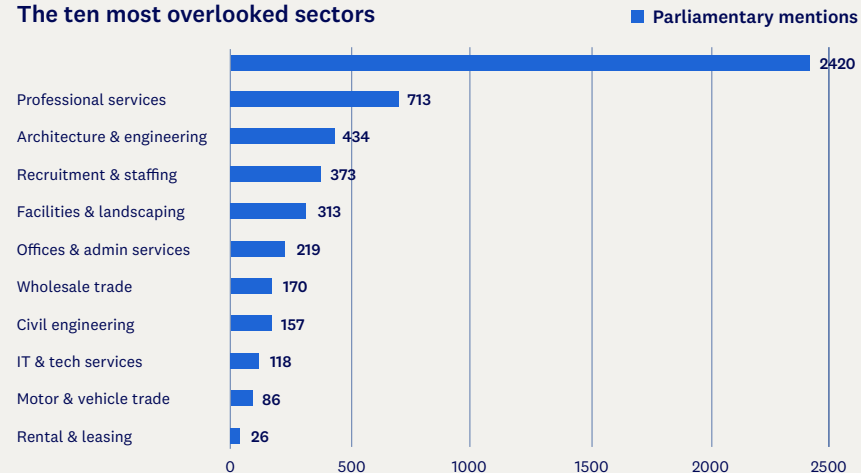
To do this, we asked the economic consultancy, the Centre for Economics and Business Research (Cebr) a) to examine which sectors of the economy are most, and least, discussed in the UK Parliament and b) to assess the economic contribution they make. This analysis, and other factors, shows how key sectors are neglected during crucial conversations on policy.



The ten most overlooked sectors

On average, each sector of the economy was mentioned in Parliament 2,420 times over five years. Here are the bottom ten from the overlooked economy:

The ten most overlooked sectors



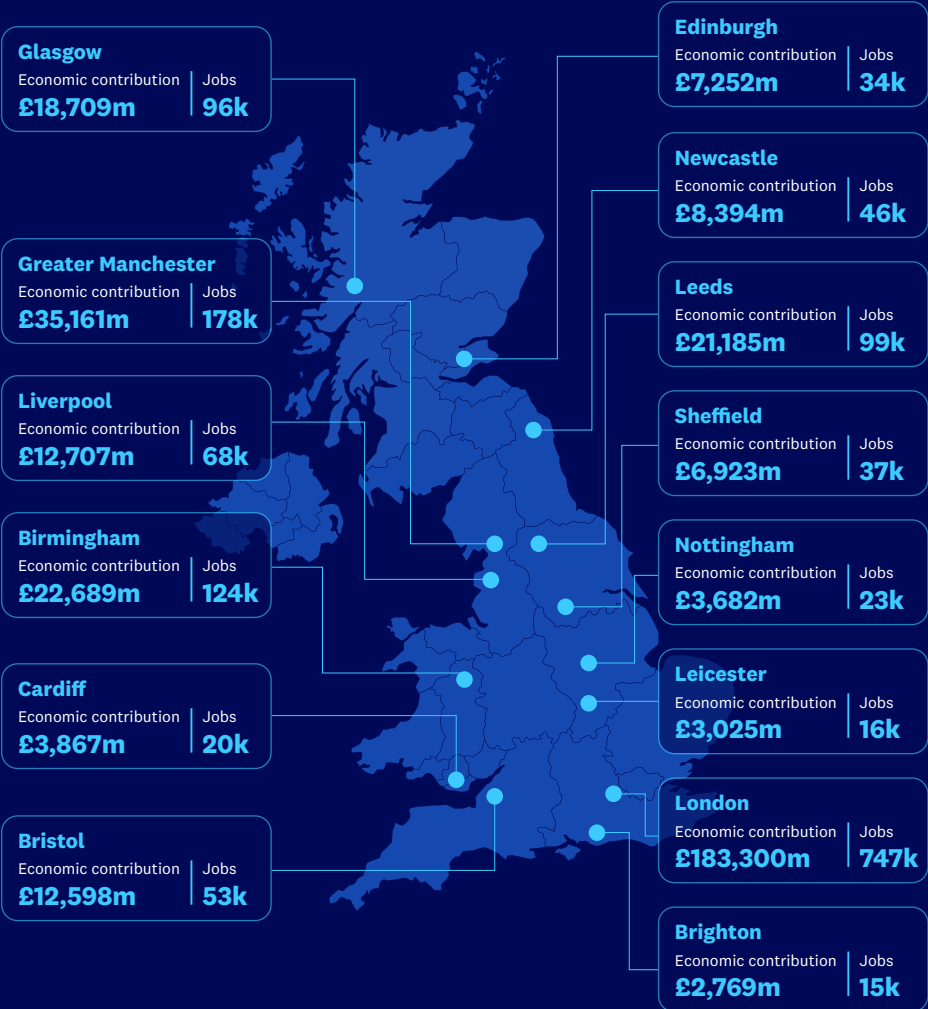
There is a wide variation in prominence. Wholesale trade, office & admin services, motor vehicle trade, IT & tech services, rental & leasing and civil engineering are referenced more than ten times less than the average of the whole economy.

Between them, these industries provide 858,000 jobs and contribute more than £302 billion of turnover to the economy. A further five overlooked sectors are referenced less than one third that average.



Around the country

London’s overlooked economy alone generated £183bn in turnover and £90bn in GVA (16% of the city’s overall economy). Manchester, Birmingham, Leeds and Glasgow each generated more than £18bn of turnover.



When visibility influences policy

Early in his administration, UK prime minister Andy Burnham announced a 20 per cent cut in business rates for pubs, clubs and live music venues in England.

Whether that step is right or wrong is not the issue. Like many businesses in a difficult economy, pubs have suffered and closed.

Pubs and clubs are popular and struggling. Voters have an emotional connection with them. National newspapers run “save our pub” campaigns. Many pubs and clubs are run by big chains, with campaigning and lobbying resources. They have grass roots and big business support.

But if pubs pay less, it stands to reason that others, the overlooked, might pay more.

Our analysis shows that hospitality and catering, which includes pubs, clubs and live music, was mentioned in Parliament 5,578 times in five years. More than twice the average of the overlooked sectors.

“

Our sector is one of the toughest to survive in. People don’t appreciate how big an issue cashflow is for the smallest businesses in the supply chain. Or the sleep we lose worrying about it. Government has much more to do to show that it understands our pressures.

Danny Bell,
Commercial Director, Flux Fire Protection (fire protection, Cleckheaton, Yorkshire)
Overlooked family: building Britain

”



WHY THIS MATTERS

When millions of businesses are underrepresented in the conversations that make public opinion and public policy, we risk making decisions based on an incomplete picture of the economy. That isn't just unfair. It isn't good for Britain either.

Fair play: policy is made by the noisy, not the many

The overlooked economy deserves greater recognition. The millions who keep Britain running should be seen for what they contribute and heard where decisions are made.

Too often, the loudest voices shape the rules.

Economic impact: when they struggle, Britain struggles

If overlooked businesses don't get the attention they need, the whole economy suffers.

These businesses are central to Britain's economy, yet they remain on the margins of the national conversation. Almost one in six private sector jobs depend on them. They pay £97 billion tax, more than many major government departments spend. That should put them at the heart of economic policy, not the margins.



The full economic impact of the overlooked economy

The overlooked economy's contribution doesn't stop with the businesses themselves.

These businesses buy goods and services from other companies. Their employees spend their wages in local shops and communities. That activity supports more jobs, creates more wealth and provides more tax revenue.

Economists call this the "multiplier" effect.

When these wider impacts are added to the direct contribution, the overlooked economy becomes even more important. **For every £1 it generates directly, a further 74p is created elsewhere in the economy.**

	Overlooked economy	Multiplier effect	Total economic contribution
Turnover	£868 billion	£770 billion	Over £1.6 trillion
GVA	£360 billion	£266 billion	£626 billion
Jobs	3.8 million	3.1 million	6.9 million (which is 28.3% of the UK workforce)

Yet, despite their clear, economic importance, overlooked businesses face considerable struggles.

Bureaucratic barriers to growth:

the VAT threshold can create a financial cliff edge, encouraging some businesses to limit their growth rather than exceed it.¹

Growing compliance costs:

small businesses spend around 69% more per employee than larger businesses to meet regulatory requirements.²

¹ <https://theconversation.com/the-uks-small-businesses-should-be-fuelling-the-countrys-growth-ambitions-heres-why-thats-not-happening-258451>
² <https://www.togetheraccounting.co.uk/blog/uk-government-policies-are-crushing-small-businesses/>

WHAT WE SHOULD DO TO ADDRESS THE PROBLEM

Xero is committed to using its voice and influence to stick up for the millions of overlooked businesses that we all depend on.

We are not arguing that one part of the economy matters more than another. But that every important part of the economy should be properly understood.

Three things need to change.

1. Separate myth from reality

Recognition is not about special treatment. It means making better decisions because we see the whole economy.

Myth	Reality
Britain's economy is driven mainly by large, well-known businesses	Millions of businesses each employing fewer than ten people are, taken together, one of Britain's largest employers and taxpayers
Small businesses are individually important but economically marginal	Collectively, they are one of the largest parts of the economy
Small businesses are well represented in policy debates	Many sectors that make a major economic contribution receive relatively little attention

2. Expand the conversation

Businesses employing fewer than ten people must become more visible. Policymakers, commentators and opinion formers need to make more effort to seek them out.

Britain needs to change how it sees its economy:

- **Politicians** must engage with overlooked businesses in their community. They may not always make the best photo, but their voice matters
- **Governments** should make better use of data. Xero's Small Business Insights shows what is happening among the smallest businesses in the UK
- **Government and media** should talk to the accountants and bookkeepers who work with overlooked businesses to understand their common challenges
- **Media** should tell a broader story about Britain's economy
- **Commentators and researchers** should look beyond the largest employers
- **Business organisations** should ensure the smallest firms are represented
- **Businesses themselves** should speak up more and become more visible

3. Make better decisions

Recognition is not about prioritising one group of businesses. It is about ensuring that decisions are informed by a complete picture of Britain's economy.

When policymakers understand where jobs, growth, investment and economic strength really comes from, they are better able to design legislation, regulation and taxation that works for the economy as a whole.

This means:

- Streamline the regulatory burden on small businesses
- Simplify the complex tax system for small businesses
- End the late-payments crisis, which disproportionately hits the smallest businesses
- Help small businesses digitalise by boosting infrastructure and skills



WHAT WE'RE CALLING FOR

Make it cheaper to hire, stop penalising small firms for standing still, and connect them with the right experts. That's the difference between businesses growing — and businesses disappearing.

1. A jobs boost for the smallest firms

Cut employer national insurance contributions on the first 0–9 employees. Give small firms a bigger employment allowance. Add a short-term hiring credit for genuinely new jobs. Employment policy overlooks the smallest firms — this puts them at the centre.

2. Promote the vital role of accountants and bookkeepers

Run a national promotional campaign to encourage small business owners to work with an accountant or bookkeeper that can help them overcome barriers.

3. Create a fairer rates system, in two steps

Step one: raise Small Business Rate Relief from £12,000 to £25,000. It hasn't moved in a decade. The last revaluation dragged 104,000 small premises into paying rates, or cut the relief they relied on. A shop, a solicitor's office, a workshop, an accounting firm and a studio all qualify the same way — this protects the smallest businesses across the whole economy.

Step two: fix the multiplier, not just the threshold. Since April 2026, some sectors get a permanent discount that others don't, funded by a higher rate on everyone else. Two identical small businesses, same size, same high street, can end up paying different rates simply because of what they do. It's not just a relief problem — it's a fairness problem, and it needs fixing.

APPENDIX 1:

the twenty sectors in the overlooked economy

How we selected the sectors

The UK economy is officially divided into 84 sectors using the Standard Industrial Classification (SIC) system. These categories are used by government to collect and publish economic statistics.

Cebr analysed all 84 sectors using economic data and Parliamentary debates recorded in Hansard over a five-year period (January 2021 to January 2026). From this analysis, we selected the 20 sectors with the greatest turnover from businesses employing fewer than ten people. Together, these form the overlooked economy examined in this report.

Sector	SIC code	Full SIC name
Agriculture & farming	1	Crop and animal production, hunting and related service activities
Architecture & engineering	71	Architectural and engineering activities; technical testing and analysis
Building construction	41	Construction of buildings
Civil engineering	42	Civil engineering
Energy & utilities	35	Electricity, gas, steam and air conditioning supply
Facilities & landscaping	81	Services to buildings and landscape activities
Hospitality & catering	56	Food and beverage service activities
IT & tech services	62	Computer programming, consultancy and related activities
Legal & accounting	69	Legal and accounting activities
Management consultancy	70	Activities of head offices; management consultancy activities
Motor vehicle trade	45	Wholesale and retail trade and repair of motor vehicles and motorcycles
Office & admin services	82	Office administrative, office support and other business support activities
Professional services	74	Other professional, scientific and technical activities
Real estate	68	Real estate activities
Recruitment & staffing	78	Employment activities
Rental & leasing	77	Rental and leasing activities
Retail trade	47	Retail trade, except of motor vehicles and motorcycles
Trades & fitting	43	Specialised construction activities
Transport & logistics	49	Land transport and transport via pipelines
Wholesale trade	46	Wholesale trade, except of motor vehicles and motorcycles

APPENDIX 2:

overlooked economy families and individual sectors

We have grouped the 20 sectors of the overlooked economy into four families. These families are based on the nature of the work they do and the specific ways that they contribute to the national economy and the communities in which they do business.

The Hansard index shows how often each sector is mentioned in Parliament. A score of 100 represents the average level of Parliamentary attention to a sector.

Family 1: building Britain

People who create and maintain the physical country: builders, electricians, civil engineers, architects, surveyors, landscapers and farmers.

	Number of businesses	Employees (FTE) (thousands)	Business turnover (£millions)	Wages and benefits (£m)	GVA (£millions)	Tax paid (£millions)	Hansard index
Agriculture & farming	127,430	203	33,802	9,717	12,897	1,533	360.6
Architecture & engineering	129,520	142	32,037	10,358	19,078	4,230	17.9
Building construction	309,555	247	79,129	10,862	28,308	5,747	85.5
Civil engineering	49,215	45	21,385	4,748	7,904	2,449	6.5
Facilities & landscaping	248,845	144	21,773	8,481	12,616	2,695	12.9
Trades & fittings	506,770	530	85,713	21,980	47,178	10,696	30.1
Totals	1,371,335	1,312	66,146	273,839	127,981	27,350	

Family 2: serving communities

The businesses people walk into every day: shopkeepers, café owners, estate agents and mechanics.

	Number of businesses	Employees (FTE) (thousands)	Business turnover (£millions)	Wages and benefits (£m)	GVA (£millions)	Tax paid (£millions)	Hansard index
Hospitality & catering	144,955	319	24,396	8,625	11,858	3,640	230.5
Motor vehicle trade	100,455	196	43,318	3,629	6,521	3,096	3.6
Real estate	148,705	222	42,744	10,944	31,469	7,629	218.0
Rental & leasing	20,595	35	23,632	3,119	13,709	1,462	1.1
Totals	414,710	772	134,090	26,317	63,556	15,827	

Family 3: keeping communities running

The hidden machinery of the economy: wholesalers, hauliers and other transport, recruiters, office support and utilities.

	Number of businesses	Employees (FTE) (thousands)	Business turnover (£millions)	Wages and benefits (£m)	GVA (£millions)	Tax paid (£millions)	Hansard index
Energy & utilities	10,405	13	22,698	1,088	5,334	1,234	115.7
Office & admin services	92,850	163	66,102	19,110	33,581	10,296	9.1
Recruitment & staffing	40,295	50	17,365	6,423	9,969	3,496	15.4
Retail trade	285,040	390	78,581	10,328	16,647	4,614	245.5
Transport & logistics	221,695	159	20,708	6,882	10,540	1,738	262.8
Wholesale trade	119,450	206	117,925	6,633	12,993	5,098	7.0
Totals	769,735	981	323,379	50,464	89,064	26,474	

Family 4: independent experts

The expertise that others depend on: solicitors, accountants, IT consultants, designers and business advisers.

	Number of businesses	Employees (FTE) (thousands)	Business turnover (£millions)	Wages and benefits (£m)	GVA (£millions)	Tax paid (£millions)	Hansard index
IT & tech Services	185,745	213	29,772	8,129	13,922	4,155	4.9
Legal & accounting	149,990	177	24,664	11,344	19,762	11,758	240.6
Management consultancy	228,385	246	62,275	20,546	33,255	8,868	101.5
Professional services	183,540	140	19,830	5,889	12,581	2,787	29.5
Totals	747,660	776	136,541	45,908	79,520	27,569	

APPENDIX 3:
the overlooked economy by city

This table shows the contribution made by businesses in the overlooked economy in each city. It includes their turnover, the value they add to the economy (GVA), employment and wages.

City	Turnover (£m)	GVA to their city (£m)	Wages and benefits (£m)	Jobs (thousands)
Birmingham	22,689	9,912	5,161	124
Brighton	2,769	1,313	671	15
Bristol	12,598	6,024	2,658	53
Cardiff	3,867	1,746	886	20
Edinburgh	7,252	3,466	1,787	34
Glasgow	18,709	8,205	4,216	96
Greater Manchester	35,161	15,343	8,073	178
Leeds	21,185	9,163	4,713	99
Leicester	3,025	1,286	665	16
Liverpool	12,707	5,704	2,958	68
London	183,300	89,869	47,973	747
Newcastle	8,394	3,732	1,945	46
Nottingham	3,682	1,485	771	23
Sheffield	6,923	3,036	1,584	37

The overlooked economy’s contribution to each city

City	GVA	FTEs
Birmingham	13.9%	12.6%
Brighton	10.8%	12.8%
Bristol	16.0%	12.8%
Cardiff	11.4%	10.3%
Edinburgh	10.1%	10.7%
Glasgow	13.9%	13.1%
Greater Manchester	15.3%	13.9%
Leeds	15.7%	13.2%
Leicester	12.5%	10.7%
Liverpool	13.2%	11.9%
London	15.6%	14.5%
Newcastle	14.6%	12.7%
Nottingham	11.5%	12.3%
Sheffield	13.3%	11.8%