OECD SME and Entrepreneurship Outlook 2021

Small and medium-sized enterprises (SMEs) and entrepreneurs have been hit hard during the COVID-19 crisis. Policy responses were quick and unprecedented, helping cushion the blow and maintain most SMEs and entrepreneurs afloat. Despite the magnitude of the shock, available data so far point to sustained start-ups creation, no wave of bankruptcies, and an impulse to innovation in most OECD countries. However, government support has been less effective at reaching the self-employed, smaller and younger firms, women, and entrepreneurs from minorities. Countries were not all even in their capacity to support SMEs either. As vaccine campaigns roll out and economic prospects brighten, governments have to take the turn of a crisis exit and create the conditions to build back better. The OECD SME and Entrepreneurship Outlook 2021 brings new evidence on the impact of the crisis and policy responses on SMEs and entrepreneurs. It reflects on longer-term issues, such as SME indebtedness or SME role in more resilient supply chains or innovation diffusion. The report contains country profiles that benchmark impact, factors of vulnerability, and sources of resilience in OECD countries, and give a policy spotlight on liquidity support and recovery plans for SMEs.
Chile

Figure 6.13. COVID-19 impact on business dynamics and policy responses in Chile

Stringency of government measures

Chile has introduced very strict containment measures since the start of the pandemic.

Policy spotlight

Key measures recently implemented include a USD 12 billion Fiscal Stimulus Package, which aims to encourage investment, an infrastructure development, and a special plan to simplify bureaucratic procedures, and promote and accelerate innovation and investment. Both give a marked focus to the reactivation of micro-SMEs through tax measures, subsidies and other financing solutions, and capacity building.

Structural measures also include:

- “Reactivate Plan”, with USD 4 200 grants to SMEs that have been affected by the pandemic. The government also incentivises SMEs to digitalise;
- Digitize Your SME Programme to create awareness, deliver training, and foster the adoption of digital tools by SME&E; including the SMEs Online Scheme that allows access to e-commerce, social networks, payment methods, and digital marketing;
- Amendment of the Labour Code to encourage teleworking facilities for SMEs and reduce regulatory barriers in this area;
- Compra Agil Programme to facilitate the participation of SMEs in public procurement, while the State pays all pending invoices to date.

National SME and entrepreneurship policy framework

SME&E policies in Chile are defined as part of a multi-annual Action Plan.

Chile is staffed with a dedicated Undersecretary of Economy and Smaller Companies within the Ministry of Economy, Development and Tourism. The Ministry’s Division of Smaller Companies (DEMT) is responsible for formulating, articulating and implementing policies in support of small businesses as well as to promote the creation of new businesses. It also coordinates with different public and private entities.

The COVID-19 pandemic has led to a more integrated approach of SME support. The MSME Guidelines - “Guía Myympe” (2020) include measures across eight Ministries, covering a wide array of laws and regulations of importance to SMEs, such as finance, digitalisation, labour, skills, procurement, and health.

Source: Oxford stringency Index (April 2021); and national sources (see country-specific references and definitions).

StatLink: https://doi.org/10.1787/888934250554
Figure 6.14. Factors of SME&E structural vulnerability in Chile

Size of the MSME and entrepreneurs sector

Based on national data, SMEs in Chile account for 47.7% of total business population. The share of micro and small firms is especially low in an international context.

Economic exposure to lockdowns and business disruptions

Chile has gone through the deepest recession since the monetary crisis of 1982, employment rates reaching an historical low.

The high prevalence of informality has increased vulnerability.

Employment in the wholesale & retail trade, and transport services, and in the construction industry have been strongly impacted.

Before COVID-19, tourism accounted for 6.4% of total employment in Chile (OECD 6.7%).

International trade and GVC exposure

Chile is highly dependent on international trade, both as importer and exporter (backward and forward linkages). The country relies heavily on intermediate inputs for its global competitiveness and on foreign demand for market prospects.

By September 2020, trade was already showing signs of recovery, with ten of Chile’s sixteen regions experiencing a rise in export shipments.


StatLink: https://doi.org/10.1787/888934250573
Digital readiness

National data show that small firms in Chile are engaging in the digital transition, but may lag in some aspects of the transformation, as compared to OECD peers.

<table>
<thead>
<tr>
<th>Service</th>
<th>Chile</th>
<th>OECD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed broadband</td>
<td></td>
<td></td>
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<tr>
<td>Workers using computer</td>
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<td>ERP</td>
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<td>Cloud computing</td>
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<td>E-sales</td>
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<td>Social media</td>
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<tr>
<td>Employing ICT specialists</td>
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<td>E-purchases</td>
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<td>CMP</td>
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<td>Big data</td>
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</table>

Cash reserves and government liquidity support

SME profit (% production) has been relatively high in Chile compared to OECD peers. 10% of SMEs in Chile have been able to access and combine government support (as compared to 33.6% in the OECD). Repayable and non-repayable forms of support have been equally popular.

Entrepreneurship regulatory framework

The regulatory framework for entrepreneurship in Chile is on par with OECD practices, with room for simplifying regulations or reducing the costs of resolving insolvency.

Innovation skills

There is a good balance between demand and supply of innovation skills in Chile, due to still low demand, but there are also rising gaps for adaptability/flexibility skills.


StatLink: https://doi.org/10.1787/888934250592
**Country notes**

- Data on business dynamics come from national sources (Superintendencia de Insolvencia y Reemprendimiento, 2021).
- Structural business statistics come from Chile’s Internal Revenue Service (2019) Estadísticas de Empresa and refer to 2018. The definition is the dependant workers informed by employers to the IRS. Size classes are defined by net annual turnover.
- Data on self-employed come from the International Labour Organisation ILOSTAT database 2020. OECD LFS statistics on self-employed follows the ILO guidelines.
- Structural business statistics (profit) refer to 2016 instead of 2018.
- Data on ICT use come from the OECD Economic Survey of Chile (OECD, 2020). They are drawn from the national ICT survey 2019 (Ministry of Economy) for Chile and refer to 2018. The total OECD is calculated based the OECD ICT Access and Usage by Businesses database and refer to 2019.
References


Annex A. Sources and definitions of benchmarking indicators

### COVID-19 impact

<table>
<thead>
<tr>
<th>Stringency of government measures</th>
<th>Oxford Government Stringency Index</th>
<th>Government response stringency index, as a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100 = strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region. Country values from January 2020 to April 2021.</th>
<th><a href="https://ourworldindata.org/grapher/covid-stringency-index">https://ourworldindata.org/grapher/covid-stringency-index</a></th>
</tr>
</thead>
<tbody>
<tr>
<td>Business dynamics</td>
<td>Firm entries (%)</td>
<td>New enterprise creation January 2020-March 2021, year-on-year difference and cumulative year-on-year difference as a %. For the definition of enterprise creation, see methodology in primary source.</td>
<td>OECD Timely Indicators of Entrepreneurship (TIE) database</td>
</tr>
<tr>
<td></td>
<td>Firm exits (%)</td>
<td>Bankruptcies, January 2020-March 2021, year-on-year difference and cumulative year-on-year difference as a %. For the definition of bankruptcies, see methodology in primary source.</td>
<td>OECD Timely Indicators of Entrepreneurship (TIE) database</td>
</tr>
</tbody>
</table>

### Factors of vulnerability

<table>
<thead>
<tr>
<th>Size of the SME&amp;E sector</th>
<th>Share of SMEs in total employment (%)</th>
<th>Employment by enterprise size as a percentage of all persons employed in business economy. Micro firms include firms with 1-9 persons employed; small firms: 10-49 persons employed; medium-sized firms: 50-249 persons employed; and large firms: more than 250 persons employed. Data refer to 2018 or latest year available.</th>
<th>OECD Structural and Demographic Business Statistics database (SDBS)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Share of SMEs in total value added (%)</td>
<td>Value added by enterprise size as a percentage of total business economy value added. Micro firms include firms with 1-9 persons employed; small firms: 10-49 persons employed; medium-sized firms: 50-249 persons employed; and large firms: more than 250 persons employed. Data refer to 2018 or latest year available.</td>
<td>OECD Structural and Demographic Business Statistics database (SDBS)</td>
</tr>
<tr>
<td></td>
<td>Share of self-employed in total employment (%)</td>
<td>Self-employment is defined as the employment of employers, workers who work for themselves, members of producers' co-operatives, and unpaid family workers. It is expressed as a percentage of total employment. Trends between 2005 and 2019.</td>
<td>OECD Annual Labour Force Statistics database</td>
</tr>
<tr>
<td>Economic exposure to lockdowns and business disruptions</td>
<td>Most affected sectors, share in total employment (%)</td>
<td>The most affected sectors by COVID-19 containment measures, share of total employment (%), 2018 or latest year available.</td>
<td>OECD Statistical Insights: Small, Medium and Vulnerable (2020), calculations based OECD Annual National Accounts database.</td>
</tr>
<tr>
<td>The region most at risk</td>
<td>Regions with the highest share of jobs at risk by country, TL2 regions, 2017.</td>
<td></td>
<td>OECD (2021), Regional Outlook 2021 based on OECD Job Creation and Local Economic Development 2020: Rebuilding Better</td>
</tr>
<tr>
<td>Direct contribution of tourism in total employment (%)</td>
<td>Tourism as a % of total employment, 2019 or latest year available.</td>
<td></td>
<td>OECD Tourism database</td>
</tr>
<tr>
<td>International trade and GVC exposure</td>
<td>SMEs as exporters (%)</td>
<td>Share of SMEs in trade value, exports, 2015 or latest year available</td>
<td>OECD Trade by Enterprise Characteristics database</td>
</tr>
</tbody>
</table>


| | Cash reserves | SME profit, as a share of production (%) | Gross operating surplus of firms with less than 250 employees as a percentage of their production. Industry (excluding construction) only. Data refer to 2018 or latest year available. | OECD Structural and Demographic Business Statistics database (SDBS).

| | Liquidity support | SMEs receiving government support, total (%) | Percentage of SMEs with a Facebook page that received government support. December 2020. | Facebook/OECD/World Bank (2020), Future of Business Survey.

| | | SMEs receiving grants and subsidies (%) | Percentage of SMEs with a Facebook page that received government support in the form of grants or subsidies, December 2020. | Facebook/OECD/World Bank (2020), Future of Business Survey.

| | | SMEs receiving credits and deferrals (%) | Percentage of SMEs with a Facebook page that received government support in the form of credit or deferral of payments, December 2020. | Facebook/OECD/World Bank (2020), Future of Business Survey.

| | | SMEs receiving non-financial support (%) | Percentage of SMEs with a Facebook page that received non-financial government support (e.g. information, technical assistance or advisory services), December 2020. | Facebook/OECD/World Bank (2020), Future of Business Survey.

| | | Entrepreneurship regulatory framework | Simplification and evaluation of regulations (index) | Composite index that captures the government’s communication strategy and efforts to reduce and simplify the administrative burden of interacting with the government, including impact assessment on competition, interaction with interest groups and the complexity of regulatory procedures. Scores from 0 - least restrictive - to 6 - most restrictive. Data refer to 2018. | OECD Product Market Regulation Indicators.

| | | Low administrative burdens on start-ups (index) | Component of the composite index “Barriers to domestic and foreign entry”. Covers the administrative burden on joint-stock companies and personally-owned enterprises, as well as administrative burden related to licenses and permits procedures. Scores from 0 - least restrictive - to 6 - most restrictive. The indicator is | OECD Product Market Regulation Indicators.
<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Data Source</th>
</tr>
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<tbody>
<tr>
<td>Low cost of starting a business (in % of income per capita)</td>
<td>Captures the cost (in % of income per capita) for starting a business, registering property and to prepare, file and pay taxes. The indicator is treated as a potential barrier to SME performance and country benchmark has been reversed (the higher the index performance is, the lower the cost). Data refer to 2018.</td>
<td>World Bank Doing Business 2020 – Starting a business</td>
</tr>
<tr>
<td>Strength of insolvency framework (index)</td>
<td>Measures the insolvency law de jure. Calculated as the sum of the scores on 4 other indices: i) commencement of proceedings index (with a range of 0–3), ii) management of debtor’s assets index (0–6), iii) reorganization proceedings index (0–3) and iv) creditor participation index (0–4). The strength of insolvency framework index ranges from 0 to 16, with higher values indicating insolvency legislation that is better designed for the rehabilitation of viable firms and the liquidation of nonviable ones. Data refer to 2019.</td>
<td>World Bank Doing Business 2020 – Resolving insolvency</td>
</tr>
<tr>
<td>Low cost of resolving insolvency</td>
<td>Resolving insolvency (cost, % of estate). Indicator on the actual cost (in % of estate) to close a business. The indicator is treated as a potential barrier to SME performance and country benchmark has been reversed ((the higher the index performance is, the lower the cost)). Data refer to 2019.</td>
<td>World Bank Doing Business 2020 - Resolving insolvency</td>
</tr>
<tr>
<td>Innovation skills</td>
<td>Perceived entrepreneurial capabilities among adult population (%), as a percentage of 18-64 population (individuals involved in any stage of entrepreneurial activity excluded) who believe they have the required skills and knowledge to start a business. Scoring from 0 (low) to 100 (high). Data refer to 2019 or latest year available.</td>
<td>Global Entrepreneurship Monitor (GEM) - Adult Population Survey</td>
</tr>
<tr>
<td>Computer and electronics skills</td>
<td>Skills shortage or surplus of computer and electronics skills, i.e. knowledge of circuit boards, processors, chips, electronic equipment, and computer hardware and software, including applications and programming. Positive values indicate skill shortage while negative values point to skill surplus. The larger the absolute value, the larger the imbalance. Results are available on a scale that ranges between -1 and +1. The indicator is treated as a potential barrier to SME performance and country benchmark has been reversed ((the higher the index performance is, the lower the imbalance in skills use and availability in the country)). Data refer to 2015.</td>
<td>OECD Skills for Jobs Database</td>
</tr>
<tr>
<td>Adaptability/ flexibility skills</td>
<td>Skills shortage or surplus of adaptability/flexibility skills. Positive values indicate skill shortage while negative values point to skill surplus. The larger the absolute value, the larger the imbalance. Results are available on a scale that ranges between -1 and +1. The indicator is treated as a potential barrier to SME performance and country benchmark has been reversed ((the higher the index performance is, the lower the imbalance in skills use and availability in the country)). Data refer to 2015.</td>
<td>OECD Skills for Jobs Database</td>
</tr>
<tr>
<td>Complex problem solving skills</td>
<td>Skills shortage or surplus of complex problem solving, i.e. developed capacities used to solve novel, ill-defined problems in complex, real-world settings. Positive values indicate skill shortage while negative values point to skill surplus. The larger the absolute value, the larger the imbalance. Results are available on a scale that ranges between -1 and +1. The indicator is treated as a potential barrier to SME performance and country benchmark has been reversed ((the higher the index performance is, the lower the imbalance in skills use and availability in the country)). Data refer to 2015.</td>
<td>OECD Skills for Jobs Database</td>
</tr>
<tr>
<td>Practical intelligence for innovation</td>
<td>Skills shortage or surplus of practical intelligence for innovation (workstyle). Positive values indicate skill shortage while negative values point to skill surplus. The larger the absolute value, the larger the imbalance. Results are available on a scale that ranges between -1 and +1. The indicator is treated as a potential barrier to SME performance and country benchmark has been reversed ((the higher the index performance is, the lower the imbalance in skills use and availability in the country)). Data refer to 2015.</td>
<td>OECD Skills for Jobs Database</td>
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References for this country profile and annexes available on the link below.

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