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.
Estonia

Figure 6.28. COVID-19 impact on business dynamics and policy responses in Estonia

**Policy spotlight**

Significant national economic support has been provided in the following areas:

- **EUR 386 million provided by the Kredex Foundation** for loans and guarantees;

- **EUR 44 million scheme by Enterprise Estonia** to support the tourism sector;

- **Estonian Unemployment Insurance Fund**, with EUR 277 million allocated to the Salary Subsidy Program;

- **EUR 134 million from the Rural Development Foundation** in form of loans and guarantees for regional companies implemented across the country.

**National SME and entrepreneurship policy framework**

SME&E policies in Estonia are defined as part of wider strategies and policy frameworks.

Estonia’s “Entrepreneurship Growth Strategy 2014-20” is linked to the wider Estonia 2020 Strategy and other national strategies on innovation, regional development and digitalisation. It aims to enhance competitiveness and employment of all Estonian enterprises, i.e. both emerging and established entrepreneurs. It focuses on a number of areas, including access to finance, skills, innovation, the reduction of red tape, the creation of friendly business environment, as well as the attraction of foreign investment.

Estonian agencies such as Enterprise Estonia or KredEx, focus on the broader business community, not exclusively on SMEs.

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

StatLink [https://doi.org/10.1787/888934250839](https://doi.org/10.1787/888934250839)
Figure 6.29. Factors of SME&E structural vulnerability in Estonia

**Size of the MSME and entrepreneurs sector**

- **Employment**: Estonia (Estonia) vs OECD average
- **Value added**: Estonia (Estonia) vs OECD average
- **MSME**: Micro, Small, Medium, Large

Estonia has a very large population of productive micro- and SMEs, the sector contributing to 78% of employment and 76% of value added (OECD average, 69% and 59%).

- **... the country counts less self-employed (11%).**

**Economic exposure to lockdowns and business disruptions**

- **Wholesale and retail activities**: Estonia (Estonia) vs OECD average
- **Construction**: Estonia (Estonia) vs OECD average
- **Professional S&T services**: Estonia (Estonia) vs OECD average
- **Food and accommodation**: Estonia (Estonia) vs OECD average
- **Other personal services**: Estonia (Estonia) vs OECD average
- **Real estate**: Estonia (Estonia) vs OECD average
- **Manuf. motor vehicles**: Estonia (Estonia) vs OECD average
- **Air transport**: Estonia (Estonia) vs OECD average

Estonia was less exposed to business disruptions during the pandemic: the most affected economic sectors account for 37.1% of total employment (OECD average 39.7%).

- **Most exposed sectors in total employment (%):** Wholesale & retail trade, food & accomodation and personal S&T services

**International trade and GVC exposure**

- **% trade value in long GVCs**: Estonia (Estonia) vs OECD average
- **% foreign affiliates' (FAs) activities**: Estonia (Estonia) vs OECD average

Estonian SMEs were more exposed to disruptions in GVCs, being highly engaged in international trade (as exporters and importers) and in long value chains (mainly as exporters).

- **Conversely, opportunities stemming from GVCs may help them rebound.**

Source: Size of the MSME sector (2016); OECD SME&E Outlook 2019; Share of self-employed (2005-19); OECD LFS database 2020 and ILO ILOSTAT database 2020; Most exposed sectors (2018); OECD, 2020, based on OECD ANA data; most exposed regions (2017); OECD Regional Outlook 2021; Tourism employment (2019); OECD Tourism database 2021; GVC exposure (2015 or 2016); OECD TEC database 2021 and Analytical AMNE database 2017 (see country-specific references and definitions).

StatLink [https://doi.org/10.1787/888934250858](https://doi.org/10.1787/888934250858)
**Figure 6.30. Sources of SME&E resilience in Estonia**

**Digital readiness**

Small firms in Estonia are on par with OECD peers in some aspects of digitalisation, but lag in e-commerce, which could hamper their recovery.

- With broadband download speed at least 100Mbit/s

**Cash reserves**

Prior to COVID-19, SMEs in Estonia generated less profits, as measured by gross operating surplus as a percentage of production, as compared to OECD peers.

**Entrepreneurship regulatory framework**

Estonia offers a relatively good regulatory framework for entrepreneurship, with some room to cut the red tape on start-ups.

**Innovation skills**

There is a fair balance between demand and supply of innovation skills in Estonia, with a very good match of complex problem solving skills.

**Country notes**

- Data on self-employed for Estonia come from the International Labour Organisation ILOSTAT database 2020. OECD LFS statistics on self-employed follows the ILO guidelines.
- Structural business statistics come from the OECD SME&E Outlook 2019 and refer to 2016.
- Global entrepreneurship monitor's data refer to 2017 instead of 2019.

**Country-specific sources**

References


### COVID-19 impact

#### Stringency of government measures
- **Oxford Government Stringency Index**
  - 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.
  - [https://ourworldindata.org/grapher/covid-stringency-index](https://ourworldindata.org/grapher/covid-stringency-index)

#### Business dynamics
- **Firm entries (%)**
  - 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.
  - [OECD Timely Indicators of Entrepreneurship (TIE) database](https://stats.oecd.org/index.aspx?DataSetCode=TIE_Anual)

- **Firm exits (%)**
  - 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.
  - [OECD Timely Indicators of Entrepreneurship (TIE) database](https://stats.oecd.org/index.aspx?DataSetCode=TIE_Anual)

### Factors of vulnerability

#### Size of the SME&E sector
- **Share of SMEs in total employment (%)**
  - 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.
  - [OECD Structural and Demographic Business Statistics database (SDBS)](https://stats.oecd.org)

- **Share of SMEs in total value added (%)**
  - 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.
  - [OECD Structural and Demographic Business Statistics database (SDBS)](https://stats.oecd.org)

- **Share of self-employed in total employment (%)**
  - 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.
  - [OECD Annual Labour Force Statistics database](https://stats.oecd.org/)

#### Economic exposure to lockdowns and business disruptions
- **Most affected sectors, share in total employment (%)**
  - The most affected sectors by COVID-19 containment measures, share of total employment (%), 2018 or latest year available.

- **The region most at risk**
  - Regions with the highest share of jobs at risk by country, TL2 regions, 2017.

- **Direct contribution of tourism in total employment (%)**
  - Tourism as a % of total employment, 2019 or latest year available.
  - [OECD Tourism database](https://stats.oecd.org)

#### International trade and GVC exposure
- **SMEs as exporters (%)**
  - Share of SMEs in trade value, exports, 2015 or latest year available
  - [OECD Trade by Enterprise Characteristics database](https://stats.oecd.org/)

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**Annex A. Sources and definitions of benchmarking indicators**
<table>
<thead>
<tr>
<th>Source of resilience</th>
<th>Description</th>
<th>Data source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital readiness</td>
<td>Broadband connection (%)</td>
<td>OECD ICT Access and Usage by Businesses and OECD (2021), The Digital Transformation of SMEs</td>
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<tr>
<td></td>
<td>Use of social media (%)</td>
<td>OECD ICT Access and Usage by Businesses and OECD (2021), The Digital Transformation of SMEs</td>
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<td></td>
<td>E-commerce (%)</td>
<td>OECD ICT Access and Usage by Businesses and OECD (2021), The Digital Transformation of SMEs</td>
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<td></td>
<td>Cloud computing (%)</td>
<td>OECD ICT Access and Usage by Businesses and OECD (2021), The Digital Transformation of SMEs</td>
</tr>
<tr>
<td>Cash reserves</td>
<td>SME profit, as a share of production (%)</td>
<td>OECD Structural and Demographic Business Statistics database (SDBS)</td>
</tr>
<tr>
<td>Liquidity support</td>
<td>SMEs receiving government support, total (%)</td>
<td>Facebook/OECD/World Bank (2020), Future of Business Survey</td>
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<td></td>
<td>SMEs receiving grants and subsidies (%)</td>
<td>Facebook/OECD/World Bank (2020), Future of Business Survey</td>
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<tr>
<td></td>
<td>SMEs receiving credits and deferrals (%)</td>
<td>Facebook/OECD/World Bank (2020), Future of Business Survey</td>
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<tr>
<td></td>
<td>SMEs receiving non-financial support (%)</td>
<td>Facebook/OECD/World Bank (2020), Future of Business Survey</td>
</tr>
<tr>
<td>Entrepreneurship regulatory framework</td>
<td>Simplification and evaluation of regulations (index)</td>
<td>OECD Product Market Regulation Indicators</td>
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<tr>
<td></td>
<td>Low administrative burdens on start-ups (index)</td>
<td>OECD Product Market Regulation Indicators</td>
</tr>
<tr>
<td>Category</td>
<td>Description</td>
<td>Source</td>
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<tr>
<td>Low cost of starting a business</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</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 capabilities to start a business (%), 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>
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<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>
</tr>
</tbody>
</table>