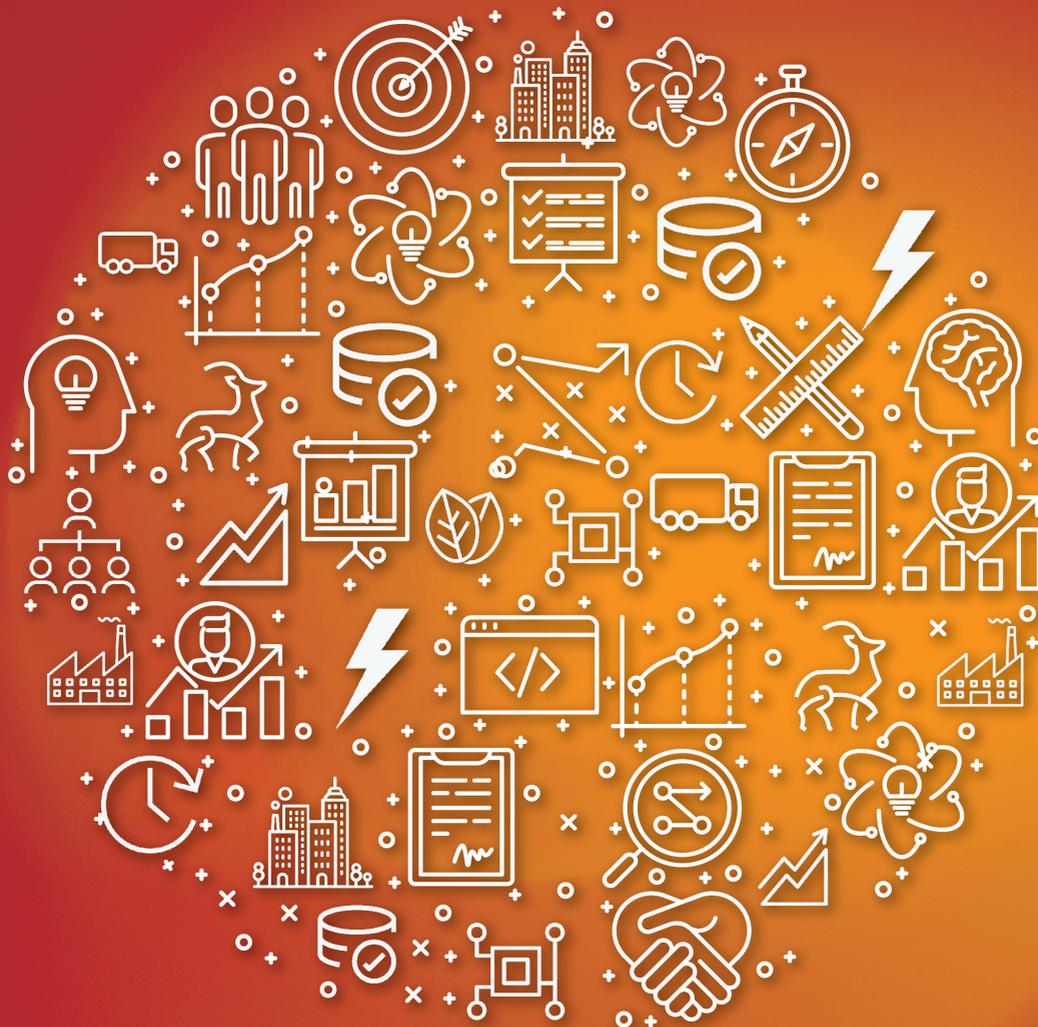




# OECD SME and Entrepreneurship Outlook 2021



## Korea

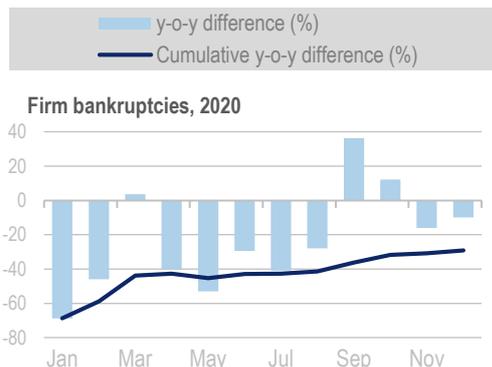
Figure 6.61. COVID-19 impact on business dynamics and policy responses in Korea

### Stringency of government measures



Korea was among the first countries hit by the pandemic, but effective policy responses allowed to avoid extensive lockdowns (data until 27 July 2020).

### Business dynamics



The level of firm bankruptcies has remained significantly lower in Korea in 2020, as compared to 2019, dropping by almost 30% on a year-on-year basis.

### Policy spotlight

Key measures to support SMEs and entrepreneurs' liquidity include: the **KRW 1.6 trillion Plan from the Ministry of SMEs and Startups** with an **emergency fund** for SMEs and self-employed, **government loans guarantees**, and **simplified procurement processes** by limiting on-site inspections.

Structural measures have also been implemented:

- **KRW 5.1 trillion "New Deal" projects** which is based on three pillars: the Digital New Deal, the Green New Deal, and the Strengthening Social Safety Net ;

- **KRW 1.5 trillion initiative to reshore specific economic activities** and encourage well-performing SMEs to bring their production facilities back to Korea ;

- **"Comprehensive Plan for Fostering SMEs 2020-22"**, consisting of three key pillars:
  - digitalisation of SMEs and micro-enterprises,
  - personalised support for traditional SMEs, micro-enterprises, and traditional markets, and
  - business safety nets for second chance entrepreneurship and support infrastructure to help SMEs weather COVID-19.

### National SME and entrepreneurship policy framework

Korea combines a **dedicated SME Ministry with specific SMEs strategies**.

In 2017, Korea created the **Ministry of SMEs and Startups (MSS)** to replace the previous Small Medium Business Administration (originally within the Ministry of Trade, Industry and Energy). The Ministry is responsible for the coordination of national SME and micro-enterprise policies and operates 13 regional offices.

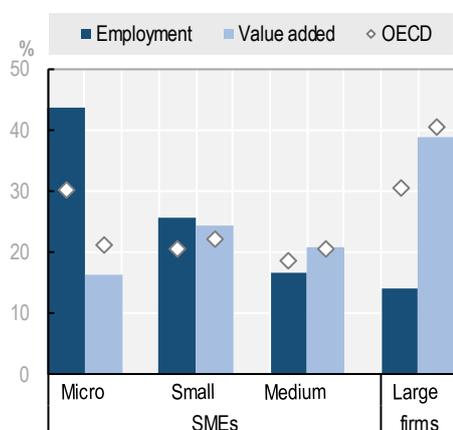
SME policies increasingly focuses on innovative ventures and a 'win-win growth strategy', involving both SMEs and large corporates, as laid out in the **Comprehensive Plan for Fostering Small and Medium Enterprises**.

Source: Google COVID-19 Community Mobility Report (27 July 2020); OECD TEI database 2021; and national sources (see country-specific references and definitions).

StatLink  <https://doi.org/10.1787/888934251466>

**Figure 6.62. Factors of SME&E structural vulnerability in Korea**

**Size of the MSME and entrepreneurs sector**



Korea has a large population of low-productive micro-firms that co-exist with high-productive large conglomerates (chaebols). The MSME sector contributes to 86% of employment and 61% of value added (OECD 69% and 59%)...

... the country also counts many self-employed (24.6%).



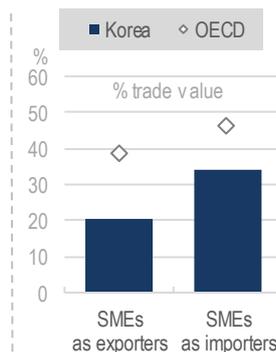
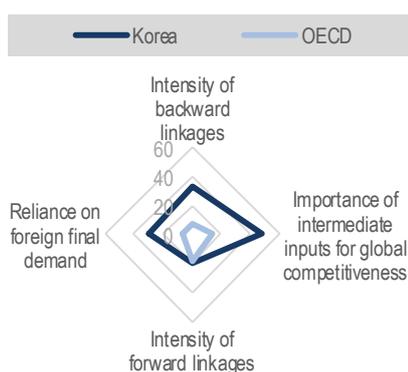
**Economic exposure to lockdowns and business disruptions**

Travel and leisure-related sectors have been hit hard in Korea and are recovering only gradually.

Manufacturing is affected by the global collapse in demand, notably for petrochemicals and cars. The market of semi-conductors has also been under strains. Services remain below pre-pandemic levels.

**Jeju-do**, the country's largest island, is the most exposed region, with about 37% of jobs at risk. This is due to the high regional concentration of accommodation & food, and wholesale & retail trade services.

**International trade and GVC exposure**



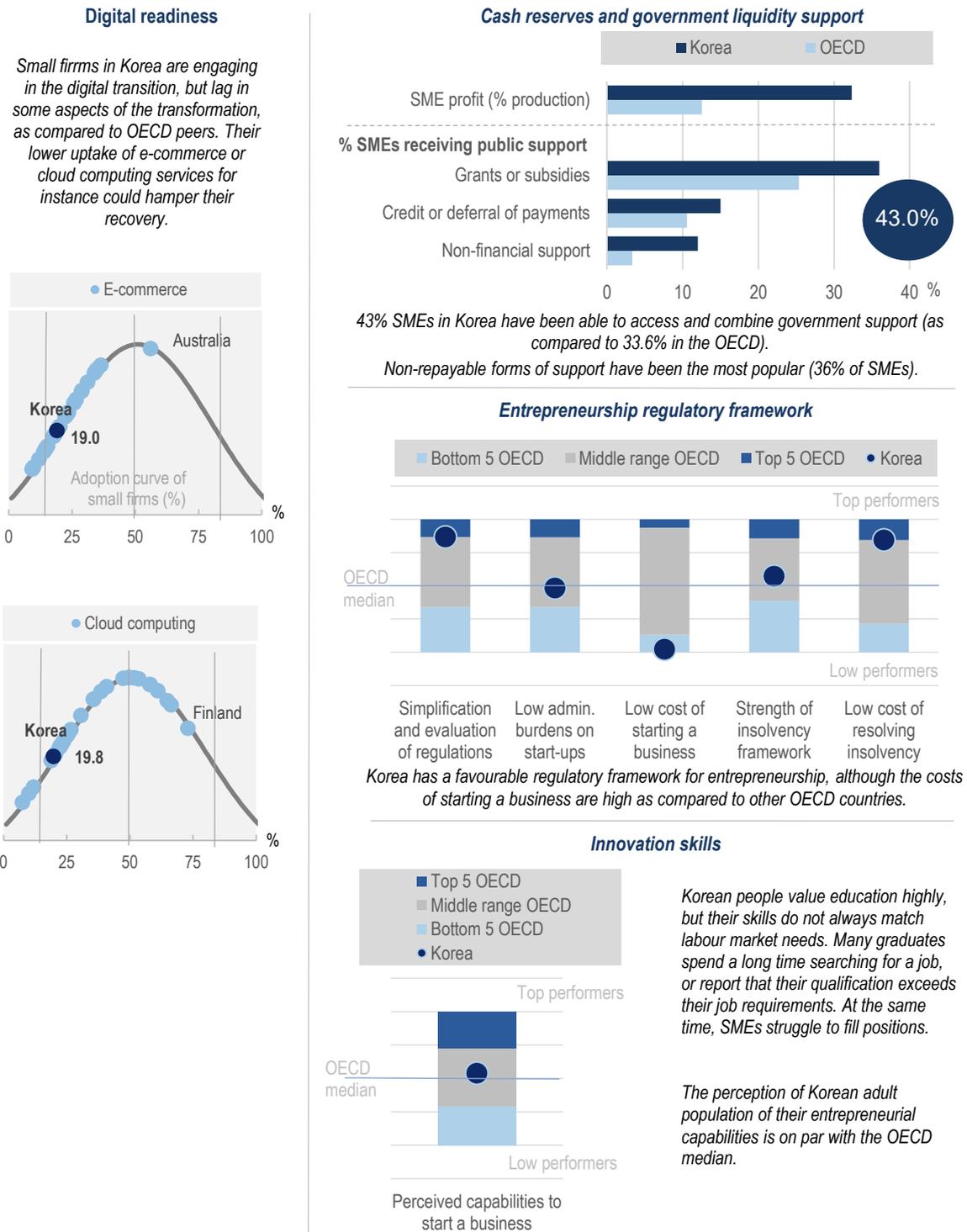
Korea was exposed to chain reactions along GVCs mainly due to its strong integration into international trade as importer (backward linkages).

The country is heavily reliant on imported intermediate inputs for its global competitiveness, but also on foreign demand for market prospects.

Source: Size of the MSME sector (2018): OECD SDBS database 2021; Share of self-employed (2005-19): OECD LFS 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 and 2016): OECD TEC database 2021 and TIVA database 2018 (see country-specific references and definitions).

StatLink <https://doi.org/10.1787/888934251485>

**Figure 6.63. Sources of SME&E resilience in Korea**



Source: E-commerce (2019), cloud computing (2018): OECD ICT Usage by Businesses database 2021; SME profit (2016): OECD SDBS database 2021; Liquidity support (2020): Facebook/OECD/World Bank FBS Survey 2020; Entrepreneurship regulatory framework (2018 and 2019): OECD PMR database 2018 and WB Doing Business 2020; Innovation skills (2019): GEM 2019, OECD Investing in Youth: Korea (OECD, 2019) (see country-specific references and definitions).

StatLink <https://doi.org/10.1787/888934251504>

## **Country notes**

- Mobility trends come from the OECD Economic Surveys of Korea 2020 (OECD, 2020), based on Google COVID-19 Community Mobility Report (27 July 2020), and refer to trends for places like restaurants, cafes, shopping centers, theme parks, museums, libraries, and movie theaters.
- Data on cloud computing services refer to 2018 instead of 2020. Data on e-commerce refer to 2019 instead of 2020. Structural business statistics (profit) refer to 2016 instead of 2018.
- Information on skills mismatches come from a dedicated OECD report on "Investing in Youth in Korea" (OECD, 2019).

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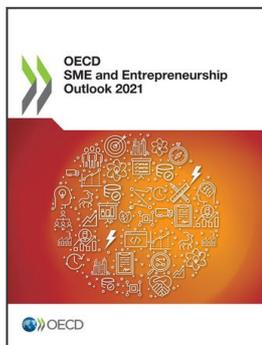
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## Annex A. Sources and definitions of benchmarking indicators

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.	<a href="https://ourworldindata.org/grapher/covid-stringency-index">https://ourworldindata.org/grapher/covid-stringency-index</a>
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.	<a href="#">OECD Timely Indicators of Entrepreneurship (TIE) database</a>
	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.	<a href="#">OECD Timely Indicators of Entrepreneurship (TIE) database</a>
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.	<a href="#">OECD Structural and Demographic Business Statistics database (SDBS)</a>
	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.	<a href="#">OECD Structural and Demographic Business Statistics database (SDBS)</a>
	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.	<a href="#">OECD Annual Labour Force Statistics database</a>
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.	<a href="#">OECD Statistical Insights: Small, Medium and Vulnerable (2020)</a> , calculations based OECD Annual National Accounts database.
	The region most at risk	Regions with the highest share of jobs at risk by country, TL2 regions, 2017.	OECD (2021), Regional Outlook 2021 based on <a href="#">OECD Job Creation and Local Economic Development 2020: Rebuilding Better</a> <a href="#">OECD Tourism database</a>
	Direct contribution of tourism in total employment (%)	Tourism as a % of total employment, 2019 or latest year available.	<a href="#">OECD Tourism database</a>
International trade and GVC exposure	SMEs as exporters (%)	Share of SMEs in trade value, exports, 2015 or latest year available	<a href="#">OECD Trade by Enterprise Characteristics database</a>
	SMEs as importers (%)	Share of SMEs in trade value, imports, 2015 or latest year available	<a href="#">OECD Trade by Enterprise</a>

	SME exporters in long GVCs (%)	Share of SMEs in trade value, exports, long GVCs, 2015 or latest year available	<a href="#">Characteristics database</a> Calculations based on <a href="#">OECD Trade by Enterprise Characteristics database</a>
	SME importers in long GVCs (%)	Share of SMEs in trade value, imports, long GVCs, 2015 or latest year available	Calculations based on <a href="#">OECD Trade by Enterprise Characteristics database</a>
	Foreign affiliates (FAs) sourcing locally (%)	Sourcing structure of foreign affiliates, percentage of foreign affiliates' sourcing that comes from domestic multinationals (MNEs) and non-MNEs, total economy, 2016.	<a href="#">OECD Analytical AMNE database</a>
	FAs output used locally (%)	Output use of foreign affiliates, as a percentage of the output of foreign affiliates that is used by domestic MNEs and non-MNEs for intermediary consumption, total economy, 2016	<a href="#">OECD Analytical AMNE database</a>
<b>Sources of resilience</b>			
Digital readiness	Broadband connection (%)	Percentage of small businesses [10-49] with a broadband download speed at least 100 Mbit/s (%). All activities in manufacturing and non-financial market services. Data refer to 2020 or latest year available. Distribution along a stylised curve of adoption (OECD, 2021).	<a href="#">OECD ICT Access and Usage by Businesses</a> and <a href="#">OECD (2021), The Digital Transformation of SMEs</a> .
	Use of social media (%)	Percentage of small businesses [10-49] using social media (%). All activities in manufacturing and non-financial market services. Data refer to 2020 or latest year available. Distribution along a stylised curve of adoption (OECD, 2021).	<a href="#">OECD ICT Access and Usage by Businesses</a> and <a href="#">OECD (2021), The Digital Transformation of SMEs</a>
	E-commerce (%)	Percentage of small businesses [10-49] receiving orders over computer networks (%). All activities in manufacturing and non-financial market services. Data refer to 2019 or latest year available. Distribution along a stylised curve of adoption (OECD, 2021).	<a href="#">OECD ICT Access and Usage by Businesses</a> and <a href="#">OECD (2021), The Digital Transformation of SMEs</a>
	Cloud computing (%)	Percentage of small businesses [10-49] purchasing cloud computing services (%). All activities in manufacturing and non-financial market services. Data refer to 2020 or latest year available. Distribution along a stylised curve of adoption (OECD, 2021).	<a href="#">OECD ICT Access and Usage by Businesses</a> and <a href="#">OECD (2021), The Digital Transformation of SMEs</a>
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.	<a href="#">OECD Structural and Demographic Business Statistics database (SDBS)</a>
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.	<a href="#">OECD Product Market Regulation Indicators</a>
	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 treated as a potential barrier to SME performance and country benchmark has been reversed (the higher the	<a href="#">OECD Product Market Regulation Indicators</a>

		index performance is, the lower the administrative burdens are). Data refer to 2018.	
	Low cost of starting a business (in % of income per capita)	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 2019.	World Bank Doing Business 2020 – <a href="#">Starting a business</a>
	Strength of insolvency framework (index)	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.	World Bank Doing Business 2020 – <a href="#">Resolving insolvency</a>
	Low cost of resolving insolvency	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.	World Bank Doing Business 2020 - <a href="#">Resolving insolvency</a>
Innovation skills	Perceived capabilities to start a business (%)	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.	<a href="#">Global Entrepreneurship Monitor (GEM) - Adult Population Survey</a>
	Computer and electronics skills	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.	<a href="#">OECD Skills for Jobs Database</a>
	Adaptability/ flexibility skills	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.	<a href="#">OECD Skills for Jobs Database</a>
	Complex problem solving skills	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.	<a href="#">OECD Skills for Jobs Database</a>
	Practical intelligence for innovation	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.	<a href="#">OECD Skills for Jobs Database</a>



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