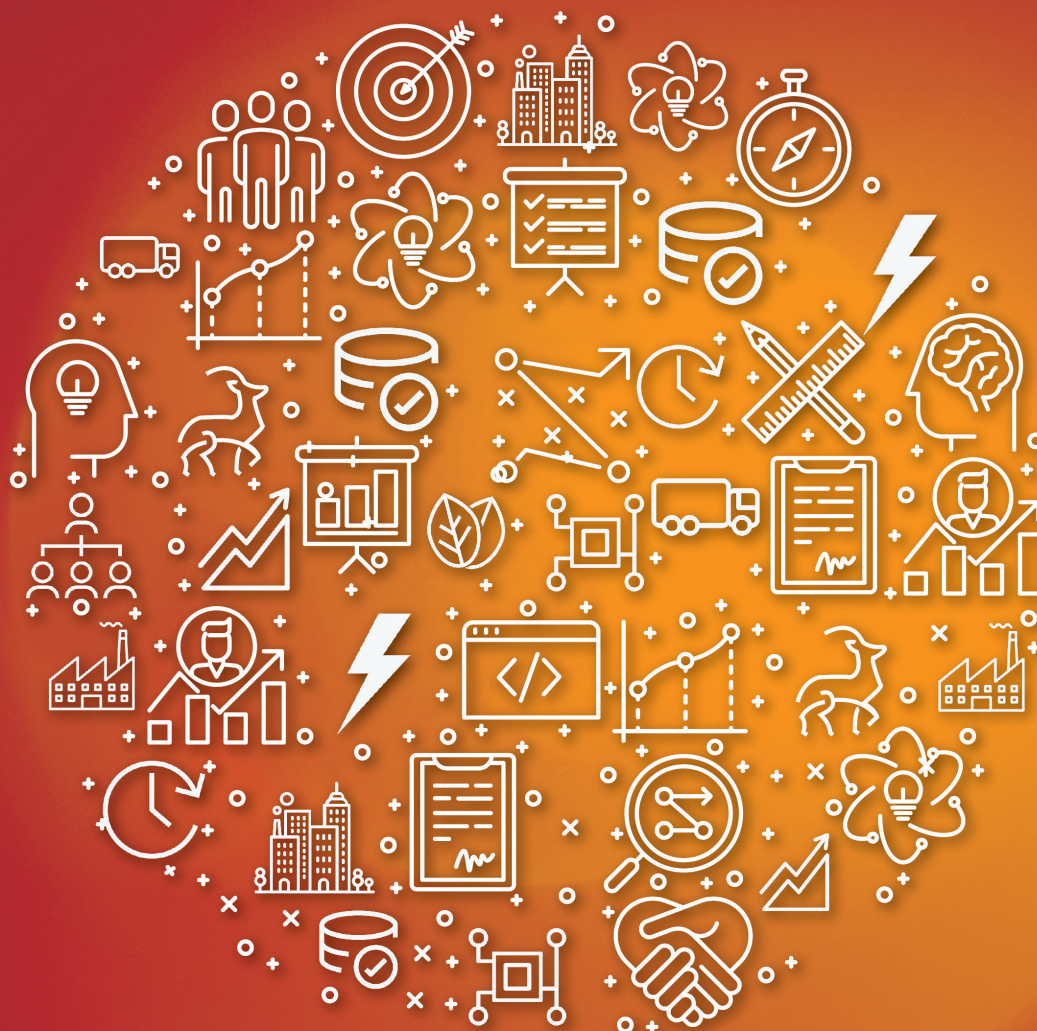




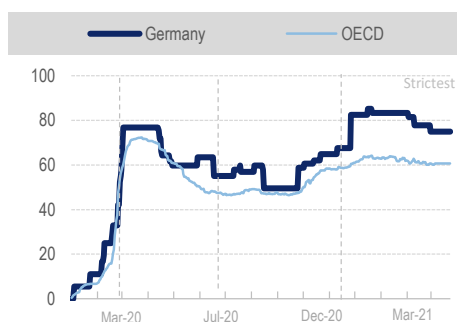
OECD SME and Entrepreneurship Outlook 2021



Germany

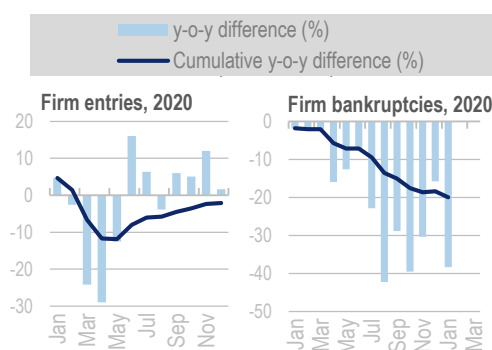
Figure 6.37. COVID-19 impact on business dynamics and policy responses in Germany

Stringency of government measures



Since the beginning of the pandemic, Germany has applied more stringent restrictions than OECD peers.

Business dynamics



Firm creation rebounded in the second half of 2020, but with overall fewer firms created than in 2019. The number of bankruptcies remained much below what it was the year before.

Policy spotlight

Key measures to support SMEs and entrepreneurs through the COVID-19 crisis include: a **EUR 750 billion Emergency Budget** with loan guarantees and grants, including for small businesses, self-employed and liberal professions, as well as short-time work allowances; and a **EUR 600 billion Economy Stabilisation Fund** to ring-fence businesses of critical importance for the economy.

Structural measures have also been implemented:

- **German Recovery and Resilience Plan (DARP)** including **Project-Related Research and Climate Protection Research** to enable SMEs to implement sustainable solutions, or to secure and expand their position and competitiveness on global markets. On digital, the **“Development of Skills Alliances”** Programme aims to increase SME participation in training, enhancing futureproof skills and supporting regional business and innovation networks.

- **EUR 130 billion support package** for:

- **Boosting demand**, by a temporary VAT cut and simplified access to income support for job seekers ;
- **Promoting investment** by business and local authorities, with a focus on housing and transport ;
- **Investing in a future-ready Germany**, to address climate change, sustainable mobility, innovation and digital technology (EUR 50 billion).

National SME and entrepreneurship policy framework

SME&E policies in Germany are defined as part of specific SMEs strategies.

The **“Valuing SMEs – Strengthening Opportunities – Reducing the Burden: The German SME Strategy”** (2019) supports SMEs in overcoming the economic challenges in a changing world, and in maintaining and consolidating their position in the face of national and international competition. It emphasises strengthening resilience as well as long-term competitiveness.

Germany has an **SME Advisory Board** at the Federal Ministry for Economic Affairs and Energy made of independent experts. It focuses on the current situation and future economic prospects facing SMEs as well as professional services. The board advises the Federal Minister on the impacts that structural changes are likely to have on SMEs. In addition, it analyses the effects that domestic economic policies are having on SMEs.

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

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Figure 6.38. Factors of SME&E structural vulnerability in Germany

Size of the MSME and entrepreneurs sector

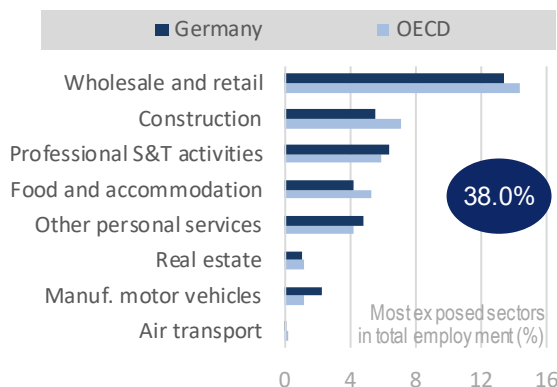


In Germany, the MSME sector contributes less to employment (59%) and value added (48%) than in other OECD countries (OECD average, 68% and 59%), due to a relatively small share of micro firms...

... the country also counts less self-employed (9.6%).



Economic exposure to lockdowns and business disruptions

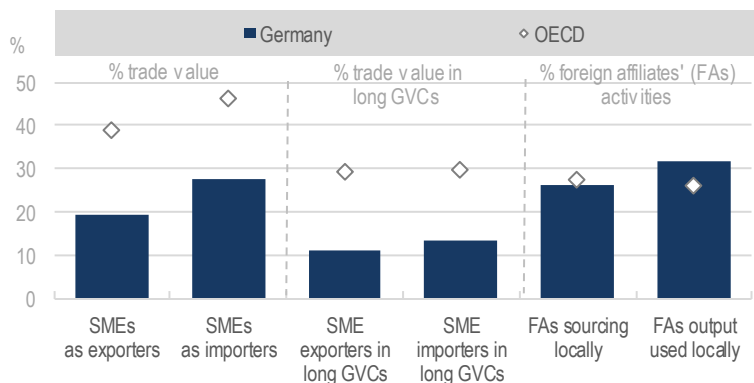


Germany was slightly less exposed to business disruptions during the pandemic: the most affected economic sectors account for 38% of total employment (OECD average 39.7%).

The urban area of **Hamburg** was the most exposed region with the highest share of jobs at risk (about 31%), due to the regional concentration of wholesale & retail trade, and art & entertainment.

Before COVID-19, tourism accounted for 4.8% of total employment in Germany (OECD 6.7%).

International trade and GVC exposure

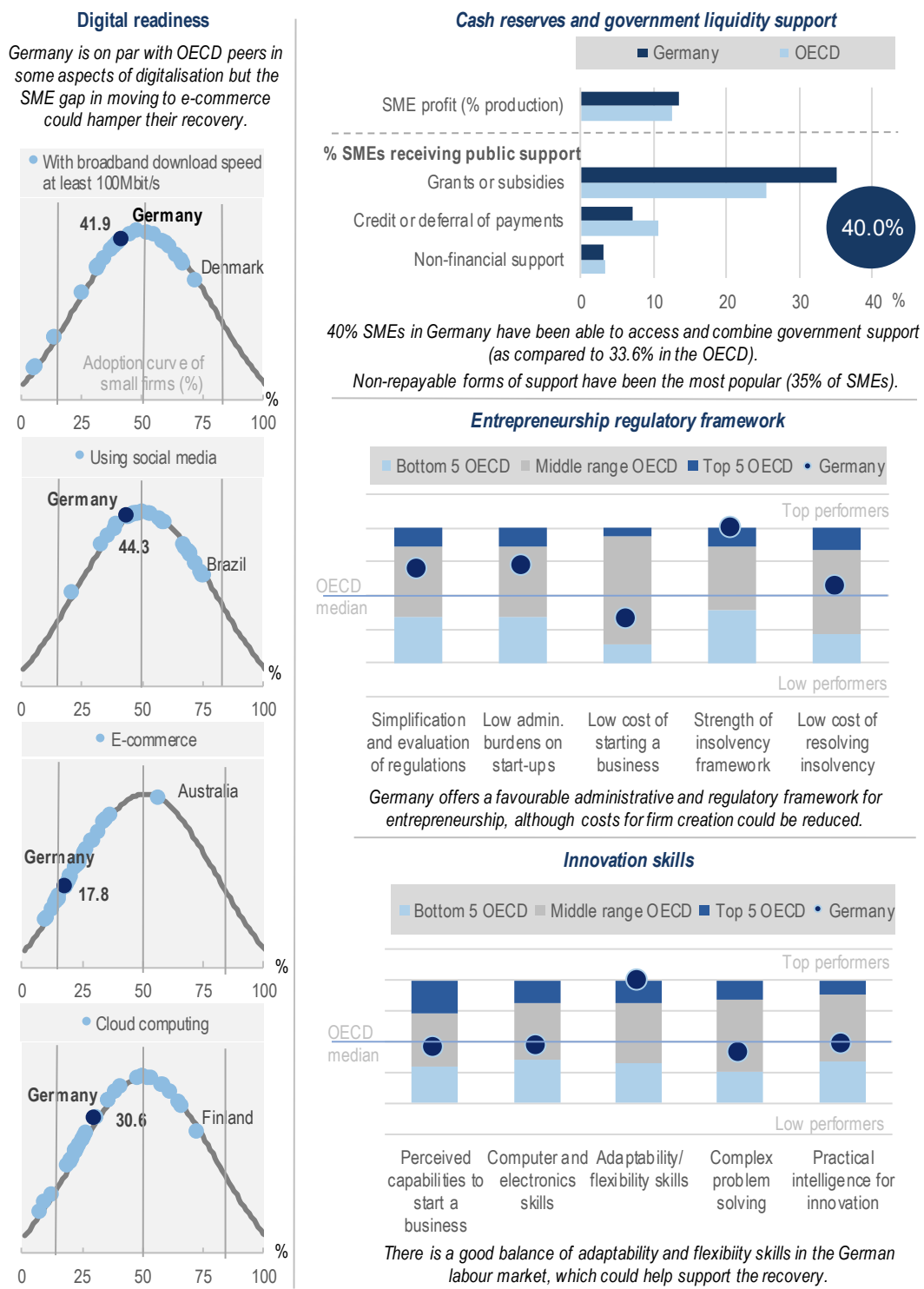


German SMEs were less exposed to disruptions in GVCs, being less engaged in international trade and long value chains.

They may face difficulties in sourcing intermediaries if foreign direct investment are durably impacted, and they may miss rebound opportunities stemming from GVCs.

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 (2017): OECD Tourism database 2021; GVC exposure (2015 or 2016): OECD TEC database 2021 and Analytical AMNE database 2017 (see country-specific references and definitions).

Figure 6.39. Sources of SME&E resilience in Germany



Source: Broadband (2020), social media (2019), e-commerce (2020), cloud computing (2020): OECD ICT Usage by Businesses database 2021; SME profit (2018): 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 and 2015): GEM 2019 and OECD Skills for Jobs database 2018 (see country-specific references and definitions).

StatLink <https://doi.org/10.1787/888934251048>

Country notes

- Annual national accounts data refer to 2017 instead of 2018. Tourism statistics refer to 2017 instead of 2019.

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Annex A. Sources and definitions of benchmarking indicators

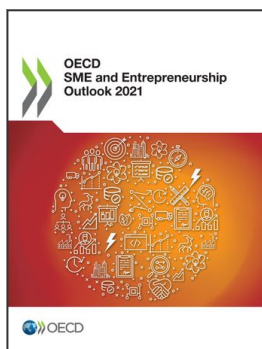
COVID-19 impact			
Stringency of government measures	Oxford Government Stringency Index	Government response stringency index, as a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100 = strictest). If 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.	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
	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
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)
	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)
	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
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.	OECD Statistical Insights: Small, Medium and Vulnerable (2020) , 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 OECD Job Creation and Local Economic Development 2020: Rebuilding Better
	Direct contribution of tourism in total employment (%)	Tourism as a % of total employment, 2019 or latest year available.	OECD Tourism database
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

	SMEs as importers (%)	Share of SMEs in trade value, imports, 2015 or latest year available	OECD Trade by Enterprise Characteristics database
	SME exporters in long GVCs (%)	Share of SMEs in trade value, exports, long GVCs, 2015 or latest year available	Calculations based on OECD Trade by Enterprise Characteristics database
	SME importers in long GVCs (%)	Share of SMEs in trade value, imports, long GVCs, 2015 or latest year available	Calculations based on OECD Trade by Enterprise Characteristics database
	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.	OECD Analytical AMNE database
	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	OECD Analytical AMNE database

Sources of resilience

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).	OECD ICT Access and Usage by Businesses and OECD (2021), The Digital Transformation of SMEs .
	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 2019 or latest year available. Distribution along a stylised curve of adoption (OECD, 2021).	OECD ICT Access and Usage by Businesses and OECD (2021), The Digital Transformation of SMEs
	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 2020 or latest year available. Distribution along a stylised curve of adoption (OECD, 2021).	OECD ICT Access and Usage by Businesses and OECD (2021), The Digital Transformation of SMEs
	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).	OECD ICT Access and Usage by Businesses and OECD (2021), The Digital Transformation of SMEs
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

		treated as a potential barrier to SME performance and country benchmark has been reversed (the higher the 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 – Starting a business
	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 – Resolving insolvency
	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 - Resolving insolvency
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.	Global Entrepreneurship Monitor (GEM) - Adult Population Survey
	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.	OECD Skills for Jobs Database
	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.	OECD Skills for Jobs Database
	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.	OECD Skills for Jobs Database
	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.	OECD Skills for Jobs Database



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