Canada

OECD SME and Entrepreneurship Outlook 2021

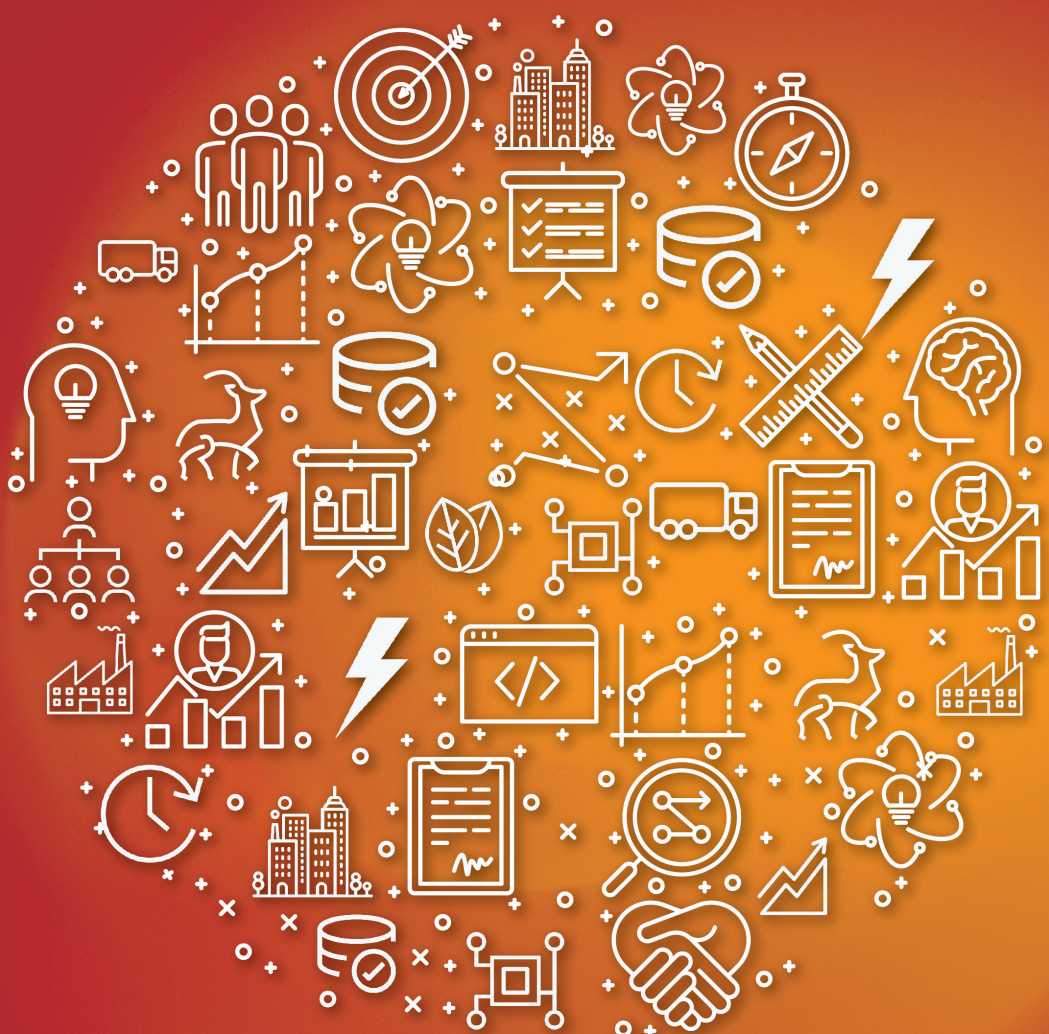

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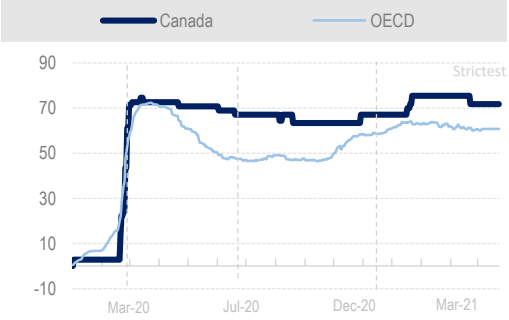
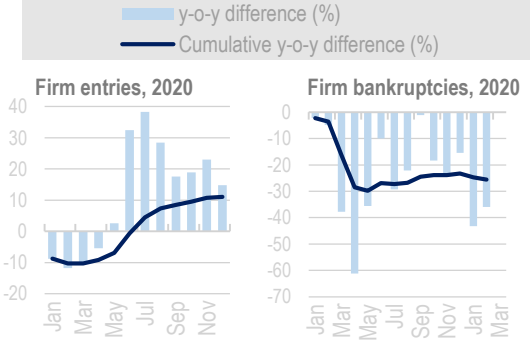
Figure 6.10. COVID-19 impact on business dynamics and policy responses in Canada

Stringency of government measures



From the start of the pandemic, Canada has adopted and maintained very strict sanitary restrictions.

Business dynamics



After an initial decline, firm creation rebounded from June 2020 onwards, with overall more firms created in 2020 than in 2019. The number of bankruptcies also dropped drastically as compared to the previous year.

Policy spotlight

Key measures to support SMEs and entrepreneurs through the COVID-19 crisis include:

Recovery Plan for Jobs, Growth, and Resilience where Budget 2021 supports firms, particularly SMEs, in innovating and investing in technology so that they grow and take advantage of the new opportunities.

Work-Sharing Program to support employers and workers affected by COVID-19 (extended to September 26, 2021).

CAD 27 billion Emergency Aid for workers and businesses, CAD 55 billion tax deferrals.

CAD 100 billion Post-Pandemic Economy Kick-Starting to help provinces and territories improve COVID-19 infection control in long-term care facilities, and to provide vulnerable industries (i.e., tourism, travel and arts) with business loans.

Go Digital Canada Initiative to help small business sales grow online, including free training courses and use of digital marketing channels.

Support Services for SMEs through digital platforms. Logistic service providers also launched SME support (e.g. Fintech companies).

National SME and entrepreneurship policy framework

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

The Federal Ministry of **Innovation, Science and Economic Development (ISED)** has three objectives with regards to SMEs: setting an efficient and competitive market place; strengthening the economy through science and technology, knowledge and innovation ; and building competitive business.

ISED's Small Business Policy Branch chairs the **Interdepartmental SME Working Group**, which shares information across government that relates to small business policy and provides functional guidance.

SME policy intervention takes place at state level through regional development agencies, as for instance the **Ontario "Business Growth Initiative"** (2016).

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

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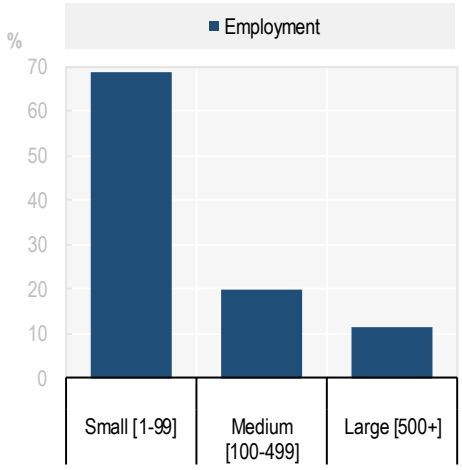
Figure 6.11. Factors of SME&E structural vulnerability in Canada

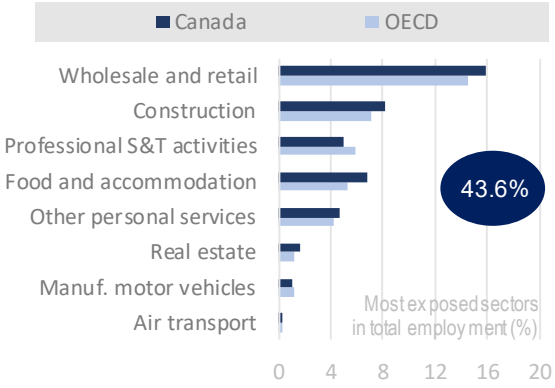
Size of the MSME and entrepreneurs sector



The business population in Canada is made of a large number of small firms, SMEs [1-499 employees] accounting for 88.5% of total employment…

… the country has on average less self-employed (8.2%).

Economic exposure to lockdowns and business disruptions

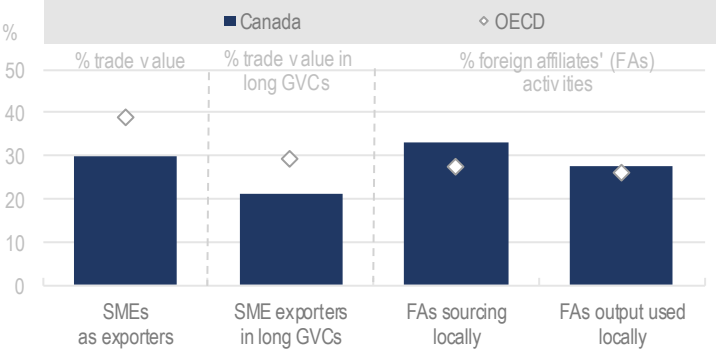


Canada's exposure to business disruptions is greater than in the OECD area: the most affected sectors account for 43.6% of total employment (OECD 39.7%).

***British Columbia** has over 27% of jobs at risk, the highest share in the country, especially due to the regional concentration of wholesale & retail trade, and accommodation & food services.*

Before COVID-19, tourism accounted for 3.9% of total employment in Canada (OECD 6.7%).

International trade and GVC exposure



Canadian SMEs were less exposed to disruptions in GVCs, being less engaged in exports and long value chains.

But they may be at risk if foreign direct investment are durably impacted (especially sourcing activities), and they may miss rebound opportunities stemming from GVCs.

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

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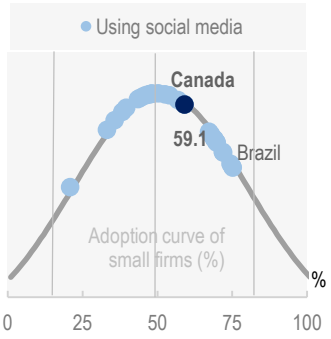
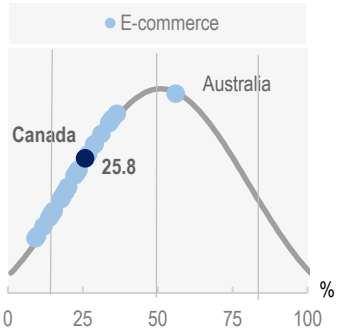
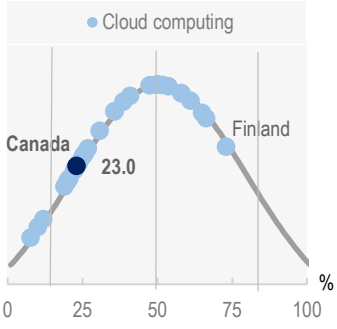
Figure 6.12. Sources of SME&E resilience in Canada

Digital readiness

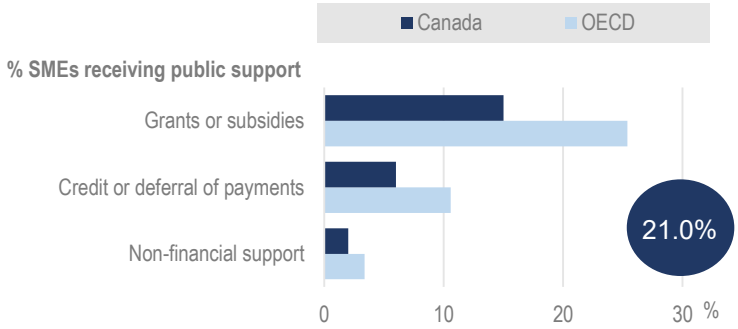
Small firms in Canada are active on social media, but lag in other forms of digitalisation, such as e-commerce or cloud computing, which could hamper their recovery.







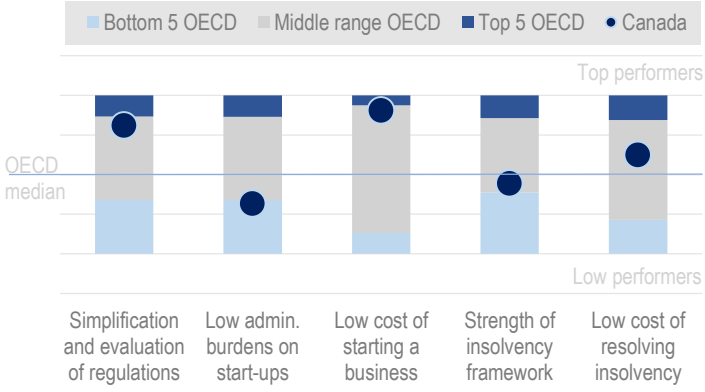
Government liquidity support



21% SMEs in Canada have been able to access and combine government support (as compared to 33.6% in the OECD).

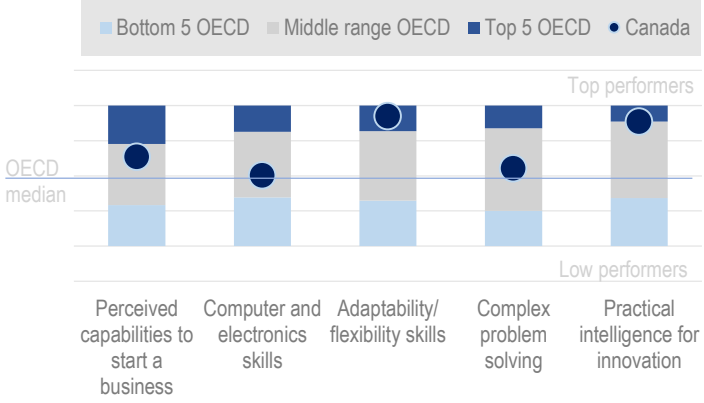
Non-repayable forms of support have been the most popular (15% of SMEs).

Entrepreneurship regulatory framework



The regulatory framework for entrepreneurship is supportive in Canada, although the red tape for start-ups could be usefully reduced.

Innovation skills



There is a good balance for some innovation skills on the Canadian labour market and a high perception of adult entrepreneurial capability.

Source: Broadband (2020), social media (2019), e-commerce (2019), cloud computing (2019): 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).

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Country notes

- Regional statistics refer to 2018 instead of 2017. Tourism statistics refer to 2018 instead of 2019. Data on trade by entreprise characteristics refer to 2016 instead of 2015.
- Structural business statistics come from national sources (Govenrment of Canada, 2020) and refer to 2019. They present the distribution of private sector employees by business size.
- Data on cloud computing services refer to 2019 instead of 2020. Data on e-commerce refer to 2019 instead of 2020.

Country-specific sources

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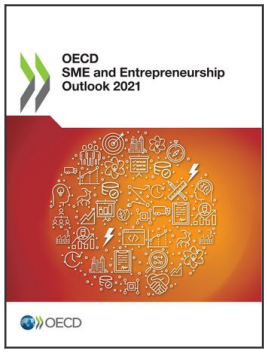
Annex A. Sources and definitions of benchmarking indicators

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 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.	OECD Product Market Regulation Indicators
	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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