

# SPAIN

## 1. Introduction


Spain has one the highest shares of high-growth enterprises in the EU and a very positive attitude towards giving entrepreneurs a 'second chance'. SMEs in the country enjoy good access to digital infrastructure and connectivity, including electronic administration. On the other hand, there is room for improving its performance in 'single market', investment in R&I and certain regulations in order to guarantee legal stability and eliminate obstacles to the SME growth.

The COVID-19 pandemic, the associated lockdown measures, and ensuing economic policy decisions made 2020 a particularly tough year for SMEs in Spain. SME employment declined by 4.6% and SME value added declined even more by 16.6%<sup>1</sup>. This downturn was particularly pronounced in some of the largest sectors, such as the *wholesale and retail trade* sector, with value added dropping by 15.2% and employment falling by 4.0%. The sharpest contraction occurred in the *accommodation and food services* sector, with a drop of 49.6% in SME value added and 13.9% in SME employment. While all sectors declined in SME value added, the *information and communication* sector was the only one to grow significantly in SME employment, by 2.2%.

In 2021, SMEs in Spain are expected to partially recover. SME value added is forecast to grow by 5.4%, whereas SME employment is expected to drop further, by 1.6%. In total, both SME value added and SME employment are expected to remain below their 2019 levels by 12.1% and 6.1%, respectively.

SMEs play a significant role in the 'non-financial business economy' in Spain. In 2020, their shares of 56.3% of total value added and 68.4% of overall employment exceeded the respective EU averages of 53.0% and 65.2% by about three percentage points each. They employed an average of 3.2 people and their productivity, measured as the ratio of value added to employment, was EUR 31 100. Both totals lagged behind the respective EU averages of 3.7 and EUR 40 000.

Figure 1: Number of enterprises, persons employed and value added in 2020



	Number of enterprises			Number of persons employed			Value added		
	Spain		EU-27	Spain		EU-27	Spain		EU-27
	Number	Share	Share	Number	Share	Share	€ Billion	Share	Share
<b>Micro</b>	2 445 745	94.4%	93.3%	4 438 353	36.1%	29.6%	101.8	21.9%	18.7%
<b>Small</b>	125 740	4.9%	5.7%	2 405 503	19.6%	19.7%	87.9	18.9%	17.0%
<b>Medium-sized</b>	15 636	0.6%	0.9%	1 560 557	12.7%	15.8%	71.7	15.4%	17.3%
<b>SMEs</b>	<b>2 587 121</b>	<b>99.9%</b>	<b>99.8 %</b>	<b>8 404 413</b>	<b>68.4%</b>	<b>65.2%</b>	<b>261.4</b>	<b>56.3%</b>	<b>53.0%</b>
<b>Large</b>	3 425	0.1%	0.2%	3 882 136	31.6%	34.8%	203.0	43.7%	47.0%
<b>Total</b>	<b>2 590 546</b>	<b>100.0%</b>	<b>100.0 %</b>	<b>12 286 549</b>	<b>100.0 %</b>	<b>100.0%</b>	<b>464.4</b>	<b>100.0 %</b>	<b>100.0 %</b>

Source: These are estimates for 2020 produced by DIW Econ, based on 2008-2018 figures from the Structural Business Statistics Database as well as provisional data for 2019-2020 from the National Accounts Database and the Short-Term Business Statistics Database (Eurostat). The data cover the 'non-financial business economy', which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The following size-class definitions are applied: micro firms (0-9 persons employed), small firms (10-49 persons employed), medium-sized firms (50-249 persons employed), and large firms (250+ persons employed).

## 2. Key strengths

### Spain continues to perform relatively well on the 'Second chance' principle

Since 2008, Spain has adopted most of the 'second chance' recommendations set out in the EU's Small Business Act (SBA). For instance, the Royal Decree-Law 4/2014 and Law 25/2015 implemented measures aimed at helping SMEs before and after bankruptcy situations<sup>2</sup>.

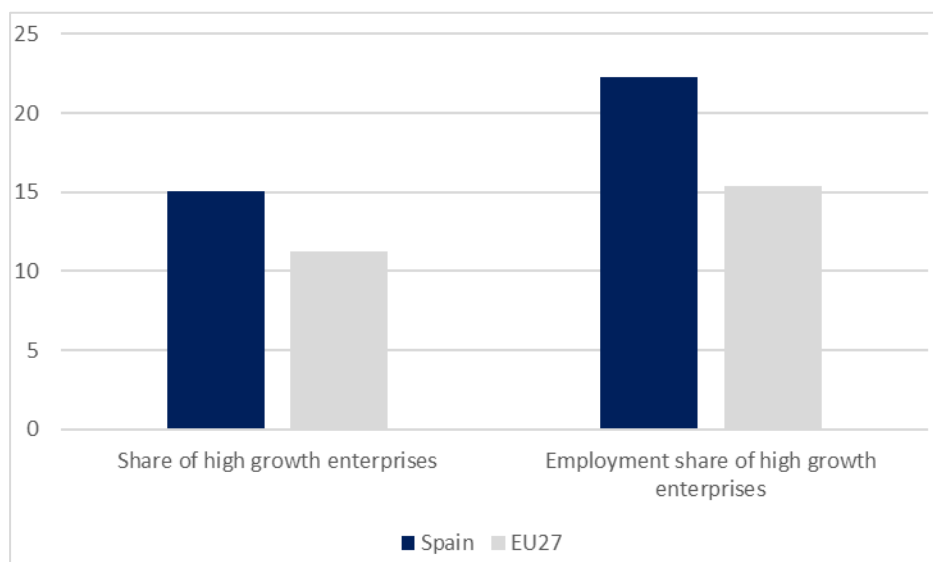
Attitudes towards entrepreneurs getting a 'second chance' are among the most positive in the EU: according to the latest available data, 90% of the Spanish public agree that failed entrepreneurs deserve the chance to start again<sup>3</sup>. In addition, the time to resolve insolvency – 1.5 years – is half a year less than the EU average<sup>4</sup>. While more than half of entrepreneurs have a fear of failure – still one of the highest rates in the EU – this indicator has declined by around eight percentage points since 2008<sup>5</sup>.

The Spanish Government continues with its efforts to provide entrepreneurs with a 'second chance'. During 2020, the Spanish Government adopted the Royal Legislative Decree 1/2020 (*Real Decreto Legislativo 1/2020, por el que se aprueba el texto refundido de la Ley Concursal*), which includes additional measures that encourage out-of-court settlements to be arranged with creditors and strengthen the legal system for bankruptcy<sup>6</sup>. The Spanish Government is currently working on transposing Directive (EU) 2019/1023 on restructuring, insolvency and discharge of debt, in order to continue to improve access to effective preventive restructuring frameworks which enable viable businesses to continue operating.

## A large share of Spanish businesses are high-growth enterprises

Spain has one of the highest shares of high-growth enterprises in the EU at 15%. These businesses are also driving employment in the country, with an employment share of 22% – one of the highest in the EU<sup>7</sup>.

Figure 2: Share of high-growth enterprises and employment share of high-growth enterprises



Source: Eurostat, 2017<sup>8</sup>

Despite this strong performance, there is room for improving the start-up ecosystem, as other key indicators such as early-stage entrepreneurial activity perform below the EU average. For example, more efforts are needed to further strengthen entrepreneurship education at basic school level.

A 'Law for the Development of the Start-up Ecosystem' (*Anteproyecto de Ley de fomento del ecosistema de empresas emergentes*) was announced in 2019 and is expected to further promote the creation of technological companies<sup>9</sup> and simplify regulations. An inter-ministerial working group has been created in order to develop the preliminary draft law.

## Spanish SMEs have good access to basic infrastructure and connectivity

Spain has made every effort to become a leader optical fibre deployment, reaching 80% of coverage, well above the EU average of 34%<sup>10</sup>. SMEs and large companies that access the internet via coaxial and optical fibre networks now exceed those accessing it via DSL connections in all sectors of activity<sup>11</sup>.

In addition, according to the European Commission's Digital Economy and Society Index, the country is also a leader in digital public services, ranking second after Estonia<sup>12</sup>. However, use of these services compares poorly with the EU average. While 92.5% of SMEs (other than micro-firms) and larger firms interact with public administrations by electronic means, this figure is only 72.8% for micro-firms<sup>13</sup>.

### 3. Key challenges

#### **The many regulations linked to business size that favour SMEs may actually discourage them from scaling-up**

In 2017, there were more than 130 regulations with size-contingent thresholds. Such regulations aim to reduce the regulatory burden and tax burden on smaller firms, but they can have the unintended effect of discouraging growth beyond a certain size threshold – usually beyond 50 employees<sup>14</sup>.

Furthermore, although funding is available for businesses at the start-up phase, it is lacking for the scale-up phase<sup>15</sup>. There are some public and public-private programmes that support SME growth, such as ENISA's Growth Programme<sup>16</sup> (*Programa Crecimiento*) and the Growing100 Programme (*CRE100DO*), recently launched by trade promotion agency ICEX in partnership with business associations and private foundations. These have helped improve Spain's scale-up performance.

#### **Spanish investment in R&I has drastically reduced since the financial crisis of 2008**

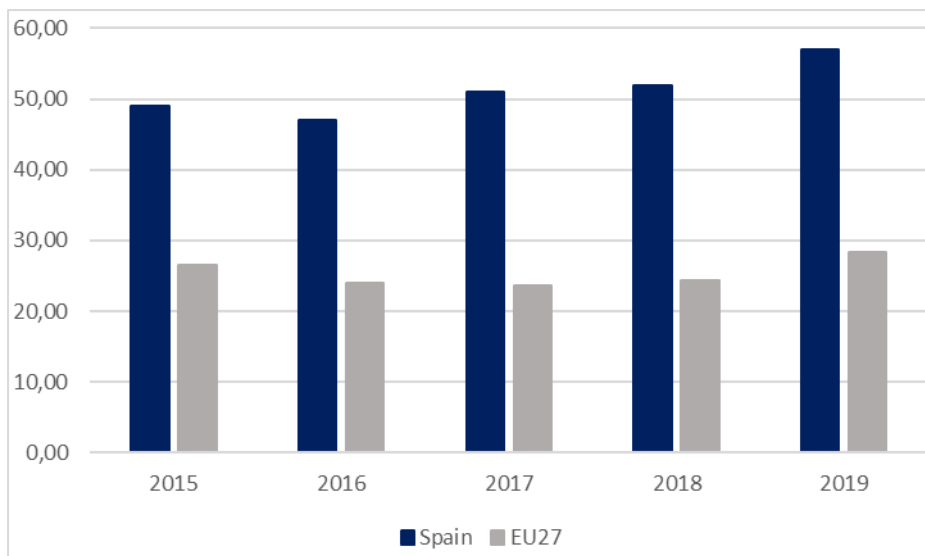
In 2017, Spain's RD&I investment ratio as a share of GDP was 1.2%, while the EU average stood at 2.1%<sup>17</sup>. In line with the reduced RD&I investment, the share of Spanish SMEs innovating in-house is low – only 14.5%, half the EU average<sup>18</sup>.

The Spanish Government has included objectives to further encourage research, development, and innovation activities for start-ups and SMEs in two strategic documents: The Change Agenda<sup>19</sup> (*La Agenda del Cambio*) and the Strategic Framework for SME Policy 2030<sup>20</sup> (*Marco Estratégico de Política de Pyme 2030*). Both include – in the proposed measures – the objectives of making financial instruments and programmes for innovation and digitalisation more easily available to SMEs.

#### **Spain remains among the weakest performers in single market indicators**

Among all EU Member States, Spain has one of the highest numbers of single market directives that have not yet been transposed. Furthermore, it has the highest number of pending infringement proceedings in the EU, which has continued to rise since 2016<sup>21</sup>. In addition, the average transposition delay for overdue directives has increased by 5 months since 2017<sup>22</sup>. This weak performance negatively affects Spanish SMEs' capacity to benefit from the advantages of the single market.

Figure 3: Number of pending infringement procedures

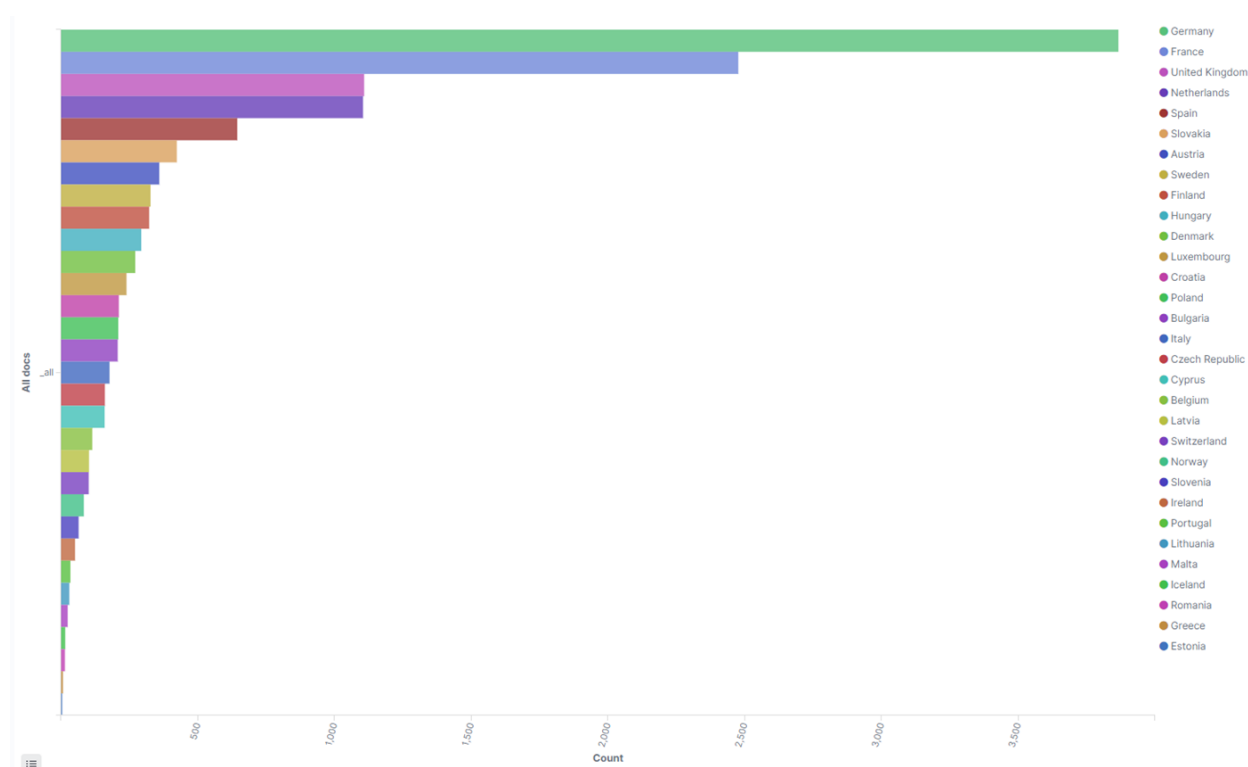


Source: Internal Market Scoreboard, 2019<sup>23</sup>

Spain also faces market fragmentation across the country, such as restrictions on professional activities, trade, transport and telecommunications. The Law on Market Unity (*Ley de Unidad de Mercado*), adopted in 2013, aimed to remove these restrictions on the free movement of goods and services<sup>24</sup>. However, it is being implemented slowly and remains incomplete; it has encountered legal problems, with certain provisions ultimately being ruled unconstitutional. The delayed implementation also resulted from the lack of effective multi-level cooperation within public administration and limited awareness of its benefits among economic players<sup>25</sup>.

Spanish market surveillance authorities need to be strengthened and they need to step up action to prevent non-conforming, illicit and dangerous products being commercialised. The percentage of non-conforming products sold has to be drastically reduced before they flood the market, and create threats to consumers and lead to unfair competition. In 2020, Spain has placed 644 files of non-conforming products in the Information and Communication System for Market Surveillance (ICSMS) database, ranked fifth among EU Member States.

## Number of non-conforming products detected by EU national authorities<sup>26</sup>



## 4. Other key SME-related brief insights



### IMPACT OF COVID-19 CRISIS ON SMES

Several 'urgent' policy measures (e.g., tax deferrals, suspension of the obligation to declare insolvency, and liquidity measures) were adopted in 2020 to mitigate the economic impact of COVID-19 on SMEs. Digital tools such as a portal to inform SMEs about available programmes have also been launched<sup>27</sup>.



### GREEN TRANSITION OF SMES

Despite difficulties in accessing public financial support, 94% of Spanish SMEs have taken resource efficiency measures, one of the highest rates in the EU. However, only 17% have benefited from public support to implement these measures – one of the lowest in the EU<sup>28</sup>.

However, Spain has recently adopted various ambitious measures to support the green transition, e.g., the '2030 National Energy and Climate Plan'<sup>29</sup> (*Plan Nacional Integrado de Energía y Clima*) and 'Circular Spain 2030' (*España Circular 2030*)<sup>30</sup>, and further action in this area is expected. In this context, SMEs, in particular micro-firms, are demanding a slower transition. Therefore, it is extremely important that new upcoming measures under national strategies/plans duly take into account the 'Think Small First' SBA principle.



### SOCIAL ASPECTS OF SUSTAINABILITY

The low quality of employment is a major social sustainability issue in the country, as the Spanish labour market still largely relies on temporary and short duration contracts<sup>31</sup>.

There have been some recent policy efforts in this area. The 2019-2021 Back to Work (*ReincorporaT*) Plan provides additional resources to the public employment services to better support the needs of the long-term unemployed<sup>32</sup>.



#### DIGITALISATION OF SMES

Despite being in line with the EU average in digitalisation, there are big differences linked to the size of companies in some indicators. For instance, 20.4% of SMEs (other than micro-firms) and large companies use e-commerce platforms to sell online, against only 5.8% of micro-firms<sup>33</sup>.

Similarly, 17.4% of all SMEs and large companies in Spain have ICT specialists in their staff, against just 3% of micro-firms<sup>34</sup>; and 28.1% of all SMEs and large companies have acquired cloud computing services<sup>35</sup>, against 10.4% of all Spanish micro-firms.



#### ACCESS TO FINANCE

Bank-related financial products remain the most relevant source of financing for Spanish firms, especially SMEs<sup>36</sup>. However, Spanish SMEs have significantly increased their use of alternative funding sources over the past 3 years. These alternative funding sources are increasingly complementing traditional financial sources in Spain<sup>37</sup>.

- 
- <sup>1</sup> The data for 2020 are estimates produced by DIW Econ, based on 2008-2018 figures from the Structural Business Statistics Database as well as provisional data for 2019-2020 from the National Accounts Database and the Short-Term Business Statistics Database (Eurostat).
- <sup>2</sup> European Commission (2019), SBA Fact Sheet Spain, available at: <https://ec.europa.eu/docsroom/documents/38662/attachments/27/translations/en/renditions/native>
- <sup>3</sup> European Commission (2012), Flash Eurobarometer on Entrepreneurship, available at: [https://ec.europa.eu/commfrontoffice/publicopinion/flash/fl\\_354\\_en.pdf](https://ec.europa.eu/commfrontoffice/publicopinion/flash/fl_354_en.pdf)
- <sup>4</sup> World Bank (2020), *Ease of Doing Business in Spain*, available at: <https://www.doingbusiness.org/content/dam/doingBusiness/country/s/spain/ESP.pdf>
- <sup>5</sup> Global Entrepreneurship Monitor (2019), Global Entrepreneurship Report, available at: <https://www.gemconsortium.org/data/key-aps>
- <sup>6</sup> Spanish Ministry of Presidency (2020), *Real Decreto Legislativo 1/2020, de 5 de mayo, por el que se aprueba el texto refundido de la Ley Concursal*, available at: <https://www.boe.es/buscar/act.php?id=BOE-A-2020-4859>
- <sup>7</sup> European Commission (2017), Eurostat, available at: <https://ec.europa.eu/eurostat/web/structural-business-statistics/data/database>
- <sup>8</sup> Ibid.
- <sup>9</sup> Ministry of Economic Affairs and Digital Transformation (2019), *Anteproyecto de Ley de fomento del ecosistema de Startups*, available at:
- <sup>10</sup> E-Administration Portal (2020), *España, en el segundo puesto de la UE en servicios públicos digitales*, available at: [https://administracionelectronica.gob.es/pae\\_Home/pae\\_Actualidad/pae\\_Noticias/Anio2020/Junio/Noticia-2020-06-12-Espana-segundo-puesto-UE-servicios-publicos-digitales.html](https://administracionelectronica.gob.es/pae_Home/pae_Actualidad/pae_Noticias/Anio2020/Junio/Noticia-2020-06-12-Espana-segundo-puesto-UE-servicios-publicos-digitales.html)
- <sup>11</sup> National Observatory of the Telecommunications and of the Information Society (2020), *Informe E-PYME 2019. Análisis sectorial de la implantación de las TIC en las empresas españolas*, available at: <https://www.ontsi.red.es/sites/ontsi/files/2020-10/ePyme2019.pdf>
- <sup>12</sup> European Commission (2020), *Digital Economy and Society Index Report 2020 – Integration of Digital Technology*, available at: <https://ec.europa.eu/digital-single-market/en/integration-digital-technology-enterprises>
- <sup>13</sup> See Note 11.
- <sup>14</sup> Spanish Ministry of Economic Affairs and Digital Transformation (2017), *El presidente del Gobierno anuncia una Estrategia de Crecimiento empresarial para mejorar la competitividad de la economía española*, available at: <https://www.mineco.gob.es/portal/site/mineco/menuitem.ac30f9268750bd56a0b0240e026041a0/?vgnextoid=eb6227d05a21d510VgnVCM1000001d04140aRCRD&vgnnextchannel=864e154527515310VgnVCM1000001d04140aRCRD>
- <sup>15</sup> Spanish General Directorate of Industry and of the Small and Medium Enterprise (2019), *Informe sobre el crecimiento empresarial*, available at: <http://www.ipyme.org/Publicaciones/InformeCrecimientoEmpresarial.pdf>
- <sup>16</sup> Spanish Company for Innovation – ENISA (2020), *Programa Crecimiento*, available at: <https://www.enisa.es/es/financia-tu-empresa/lineas-de-financiacion/d/crecimiento>
- <sup>17</sup> Spanish Government (2019), *La Agenda del Cambio – Hacia una economía inclusiva y sostenible*, available at: [https://www.mineco.gob.es/stfls/mineco/ministerio/ficheros/190208\\_agenda\\_del\\_cambio.pdf](https://www.mineco.gob.es/stfls/mineco/ministerio/ficheros/190208_agenda_del_cambio.pdf)
- <sup>18</sup> Eurostat (2016), Community innovation survey, available at: <http://ec.europa.eu/growth/industry/innovation/facts>
- <sup>19</sup> See Note 17.
- <sup>20</sup> Spanish Government (2019), *Marco Estratégico de política de pyme 2030*, available at: [https://plataformapyme.es/SiteCollectionDocuments/EstrategiaPYME/Marco\\_Estrategico\\_Politica\\_PYME\\_2030.pdf](https://plataformapyme.es/SiteCollectionDocuments/EstrategiaPYME/Marco_Estrategico_Politica_PYME_2030.pdf)
- <sup>21</sup> European Commission (2019), Single Market Scoreboard, available at: [https://ec.europa.eu/internal\\_market/scoreboard/](https://ec.europa.eu/internal_market/scoreboard/)
- <sup>22</sup> Ibid.
- <sup>23</sup>
- <sup>24</sup> Spanish Official Gazette (2017), *Ley de Unidad de Mercado*, available at: <https://www.boe.es/buscar/act.php?id=BOE-A-2013-12888&tn=2&p=20171024>
- <sup>25</sup> Osborne Clarke (2017), *The High Court has reaffirmed the unconstitutionality of the principle of national effectiveness of the Law on the Guarantee of Market Unity*, available at: <https://www.osborneclarke.com/insights/the-high-court-has-reaffirmed-the-unconstitutionality-of-the-principle-of-national-effectiveness-of-the-law-on-the-guarantee-of-market-unity/>
- <sup>26</sup> European Commission (2020), *data extracted from the ICSMS database*, available at <https://webgate.ec.europa.eu/icsms/?locale=fr>
- <sup>27</sup> Spanish Government (2020), *Real Decreto-ley 7/2020, de 12 de marzo, por el que se adoptan medidas urgentes para responder al impacto económico del COVID-19*, available at: <https://www.boe.es/buscar/act.php?id=BOE-A-2020-3580>
- <sup>28</sup> European Commission (2017), *Eurobarometer survey of SMEs and the environment*, available at: [http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/index\\_en.htm](http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/index_en.htm)
- <sup>29</sup> Spanish Government (2020), *España Circular 2030*, available at: [https://www.miteco.gob.es/es/calidad-y-evaluacion-ambiental/temas/economia-circular/espanacircular2030\\_def1\\_tcm30-509532.PDF](https://www.miteco.gob.es/es/calidad-y-evaluacion-ambiental/temas/economia-circular/espanacircular2030_def1_tcm30-509532.PDF)
- <sup>30</sup> Ministry of Ecologic Transition and the Demographic Challenge (2020), *Plan Nacional Integrado de Energía y Clima*, available at: <https://www.miteco.gob.es/es/prensa/pniec.aspx>
- <sup>31</sup> Bank of Spain (2019), *Informe Anual 2019*, available at: [https://www.bde.es/bde/es/secciones/informes/Publicaciones\\_an/Informe\\_anual/](https://www.bde.es/bde/es/secciones/informes/Publicaciones_an/Informe_anual/)
- <sup>32</sup> Ministry of Labour and Social Economy (2020), *ReincorporaT: Plan trienal para prevenir y reducir el paro de larga duración*, available at: <https://www.sepe.es/HomeSepe/Personas/encontrar-trabajo/plan-reincorpora-T.html>



---

<sup>33</sup> See Note 11.

<sup>34</sup> Ibid.

<sup>35</sup> Ibid.

<sup>36</sup> European Central Bank (2020), *Survey on the access to finance of enterprises*, available at:  
[https://www.ecb.europa.eu/stats/ecb\\_surveys/safe/html/index.en.html](https://www.ecb.europa.eu/stats/ecb_surveys/safe/html/index.en.html)

<sup>37</sup> Calvo, Javier (2019), *La financiación alternativa para pymes continúa con su expansión en España*, available at:  
<https://www.eleconomista.es/gestion-empresarial/noticias/9969671/07/19/La-financiacion-alternativa-para-pymes-continua-con-su-expansion-en-Espana.html>