

APRIL 2021

REPORT

# Global State of Small Business

Insights into women-led and minority-led businesses in early 2021

FACEBOOK





# Executive Summary

The COVID-19 pandemic has affected businesses around the world for over a year, with changing restrictions and signs of hope with the start of the vaccine rollout. Small and medium-sized businesses (SMBs) have been hit particularly hard due to their vulnerability to economic shocks. Given their importance to the economic recovery, it is essential that policymakers and government leaders understand their perspectives, challenges, and opportunities.

To provide information that can facilitate policy discussions on how to support SMBs during this period, **Facebook surveyed more than 35,000 SMB leaders across 27 countries and territories in February 2021.** This report investigates the effects of the pandemic on these businesses' performance, how they have adapted to the current circumstances, and SMB leaders' expectations for the future. It also looks at the impacts of the pandemic on women-led and minority-led SMBs.

The study finds that SMBs worldwide continue to struggle with maintaining operations, **with almost one quarter (24%) of SMBs surveyed reporting that they were closed in February 2021.** This is a notable increase from October 2020 (16%) and has brought levels to just under those in May 2020 (29%). The sharpest increases were observed in Europe, coinciding with recent increases in the strictness of non-pharmaceutical interventions (NPIs).<sup>1</sup> **Closures also rose in the US, from 14% in October to 22% in February.** Only 54% of SMBs were confident in their ability to continue operating for at least 6 months if current circumstances persist, with a higher percentage (68%) among SMBs in the US.

SMBs that are operating continue to face lower sales. **Over half of still-operating SMBs overall (55%) and in the US (51%) reported a decline in sales in January 2021 compared to the previous year,** just before the pandemic. In response to declines in sales and cash flows, **30% of operating SMBs and 27% of US SMBs have reduced their workforces.** Globally, this finding reflected improvements from May (37%) and October (38%), although in the US, improvements were more muted. Some of these reductions are likely to persist. **Just over half of SMBs overall (51%) and within the US (51%) indicated they did not plan to rehire laid-off or furloughed employees in the next 6 months.**

Business sectors most reliant on close customer interactions have been most affected by the pandemic. **Hotels, cafes, and restaurants were most likely to be affected by closures, sales declines, and workforce reductions.** Globally, 25% of these businesses were closed, with 20% closed in the US. In addition, 43% of the still-operating hospitality SMBs reported they had laid off half or more of their employees, with over half (51%) outside the US indicating they had done so.

**Women-led SMBs were consistently harder hit than their men-led counterparts,** likely as a result of their concentration in the most impacted sectors. **Women-led SMBs were on average 6 percentage points more likely to be closed globally and, in the US, 5 percentage points more likely.** Those that were able to operate were also more impacted than SMBs led by men. Women-led SMBs in operation were 4 percentage points more likely to report a drop in sales, with the gap even higher in the US at 7 percentage points.



In the US, minority-led SMBs<sup>2</sup> were more likely to report negative impacts from the pandemic. Overall, these SMBs indicated they were 9 percentage points more likely to be closed than other SMBs. **Black-led SMBs were most likely to report being closed, at 33% compared to 18% for SMBs not led by minorities.** This was relatively consistent across genders. Not only were minority-led SMBs more likely to report a drop in sales, but the magnitudes of these drops was higher as well. Minority-led SMBs were 7 percentage points more likely to report that sales were half of what they were the previous year. These trends extended to effects on employment. **Nearly one third (32%) of minority-led SMBs reported reduced employment, compared to 25% for other SMBs.**

Despite these impacts, **over 60% of global and US SMBs have made at least one change to the way they do business** in order to adapt to the pandemic-induced business environment. This includes changes to processes for interacting with customers and utilisation of digital tools. SMBs in middle-income countries were particularly more likely to have made a change, at 68% compared to 55% for SMBs in high-income countries. Digital tools appear to be vital for many SMBs in adapting and reaching customers. **Over half of SMBs (55% globally, 60% in the US) reported using digital tools to communicate with customers.** Advertising and selling goods or services online were other predominant uses of digital tools. Additionally, **SMBs reporting higher shares of digital sales were also more likely to have reported more robust sales.**

As the pandemic enters a new phase with the increasing availability of vaccines, we cannot forget that SMBs remain vulnerable. Facebook hopes to elevate the voices of this important economic sector by sharing information on the perspectives, experiences, and challenges of SMBs. It is hoped that these findings can provide valuable insights for policymakers and governments as they design interventions to support small businesses, which will be at the heart of the economic recovery.



# 24%

of global SMBs reported that they were currently closed



# 60%

of global SMBs have made at least one change to the way they do business since the start of the pandemic



# Contents

<b>Executive Summary</b> .....	02
<b>Introduction</b> .....	05
<b>Section 01</b> .....	11
Survivorship and closure rates	
<b>Section 02</b> .....	20
Effects on sales	
<b>Section 03</b> .....	27
Effects on employment	
<b>Section 04</b> .....	34
Digital transformation	
<b>Conclusion</b> .....	42
<b>Appendix</b> .....	43
<b>References</b> .....	47
<b>End Notes</b> .....	50



# Introduction

The COVID-19 pandemic had a massive impact on the global economy in 2020 and continues to take a toll in 2021. In January 2020, just before the virus spread internationally, the World Bank forecasted global GDP growth of 2.5% in 2020 (World Bank 2020). It now estimates that global GDP contracted by 4.3% for the year instead (World Bank 2021).

Although the pandemic has affected enterprises of all sizes, it has illustrated the particular vulnerability of small and medium-sized businesses (SMBs) to negative economic shocks that result in sudden changes to cash flow. This is because SMBs tend to have smaller and more concentrated customer bases and supply chains (Adian et al. 2020). This means that these businesses are less able to shift both demand and supply in response to pandemic-related restrictions and economic effects. Adding to this, they have a high dependence on weekly revenues for liquidity (Bartik et al. 2020) and more limited access to finance (OECD 2018), making them less resilient to economic shocks.

Therefore, restrictions on business activities and reduced consumer spending have imposed significant stress on these businesses. This is exacerbated because many SMBs are concentrated in sectors dependent on in-person customer interaction, such as hospitality, retail, and personal services.

Looking at how SMBs globally were impacted by the pandemic, the 2020 Global State of Small Business Report<sup>3</sup> (Facebook/OECD/World Bank 2020) and other studies have found that:

- **SMBs' rates of closure have been high since May**, although they have declined from 26% in May and levelled off at 15%. Non-pharmaceutical interventions (NPIs), which are actions other than getting vaccinated and taking medicine that people and communities can take to slow the spread of illnesses, were found to play a significant role in SMBs closing (OECD 2020a).
- **Reductions in sales and employment** have persisted for SMBs that were able to reopen. There was only a marginal improvement to 55% in those reporting a drop in sales, and little to no improvement for the third of SMBs that reported a reduction in employment.
- For some SMBs, the shocks have also translated to a **higher perceived likelihood of longer-term and/or permanent shutdowns**. This is because SMBs have a lower ability to access external financing or use previous profits to cover fixed costs (Adian et al. 2020).
- Governments have responded by providing **financial relief to businesses**. However, the level of support, and its accessibility to SMBs have varied greatly across countries and time (International Monetary Fund 2020).
- In October, **SMB owners continued to anticipate challenges** going forward arising from a lack of demand and cash flow in particular. Nonetheless, they also reflected **increasing optimism, with new ways of working** driven by the adoption of digital tools and e-commerce. Over one quarter (26%) of SMBs reported that digital sales had become more important during the pandemic.



These results were echoed in the recent 2020 US State of Small Business Report (Facebook and the Small Business Roundtable 2021), which focuses on the impacts of COVID-19 on US SMBs:

- **Fewer SMBs were closed** in December compared to April, just after the pandemic began.
- There was a **decrease in access to finance** for SMBs between the two surveys.
- One third of SMBs expected it to take **longer than 6 months to return to normal**.

The pandemic's impacts are expected to continue well into 2021 due to the resurgence of cases toward the end of 2020 and the re-imposition of restrictions in many countries after a relative lull in the summer. However, the development of vaccines has provided greater hope for economic recovery to build over the year. The World Bank forecasts significant growth in global GDP of 4.0%, albeit from lower 2020 levels (World Bank 2021). As this is a transitional time in our economy and society, we begin to consider what a post-pandemic 'new normal' might look like. In particular, it will be important to consider what the uptick in economic activity might hold for SMBs given the acute impact the pandemic has had on them.

To that end, Facebook has undertaken a survey of 17,920 SMB leaders across 26 countries outside the US and 18,434 SMB leaders in the US to further understand the impacts of COVID-19 and build on Facebook's broader commitment to supporting SMBs globally. The US survey was conducted by Facebook in collaboration with the Small Business Roundtable, building on the findings from the 2020 US State of Small Business Report.

The goal of the survey was to assess the state of SMBs and the impact of COVID-19 on these businesses.<sup>4</sup> This report provides an update on the state of SMBs at the start of 2021, investigating the financial impact on these businesses, how they have adapted to current circumstances, and their expectations for the future. It also highlights the important impacts on women-led SMBs globally and on minority-led SMBs in the US. In doing so, it is hoped that the evidence produced can provide valuable insights for policymakers and governments regarding the challenges facing small businesses, which will be at the heart of the economic recovery.

**The rest of this report is structured as follows:**

#### **Section 01**

Looks at the rates of closure of respondents.

#### **Section 02**

Analyses the impact on sales of SMBs.

#### **Section 03**

Describes how SMBs have responded to the COVID-19 crisis with changes to their workforces and plans to rehire in the coming months.

#### **Section 04**

Assesses how SMBs have adapted to challenges during the pandemic by adopting digital tools and making changes to their business practices.



“Recent analysis by the Federal Reserve (2021) suggests minority-led businesses have faced greater difficulty in accessing credit and other forms of financial assistance.”

Minority-led businesses in the US<sup>5</sup> account for just under one fifth (19%) of all SMBs (US Census Bureau 2020).<sup>6</sup> As with businesses led by women, they are also more likely to be in the sectors and geographies most affected by COVID-19 (Fairlie 2020). According to the latest Annual Business Survey (with data from 2018), minority-led SMBs were more likely than SMBs generally

to be in hospitality and in retail. At the same time, they were less likely to be in sectors that can more easily implement remote work, such as professional, scientific, and technical services.

The impacts of COVID-19 on these SMBs may therefore be especially severe. Almost one third (30%) of Black-owned SMBs indicated credit availability was the single most important challenge from the pandemic, compared to just 12% of white-owned SMBs. Additionally, the 2020 US State of Small Business Report (Facebook and the Small Business Roundtable 2021) found that **SMBs in majority-minority neighbourhoods faced worse business outcomes than those in non-minority neighbourhoods**, driven by the prevalence of women-led businesses and sectors most impacted by COVID-19.





Women-led businesses are particularly susceptible to the pressures of the COVID-19 pandemic on SMBs. This is because businesses owned and managed by women tend to be smaller and more concentrated in the sectors that are vulnerable to the pandemic. Compounding these effects, **female business leaders were found to have been affected more than their male counterparts** by increased domestic responsibilities such as home schooling and caring for dependents (Facebook/OECD/World Bank 2020). Other studies have found that **job losses were more prevalent for women, even after accounting for sector differences** (Carli 2020).

**“Women-led businesses are particularly susceptible to the pressures of the COVID-19 pandemic.”**

## A note on survey methodology

This report presents the findings of the 2021 Global State of Business Survey. This utilised a random sample of 17,920 SMB leaders across 26 countries and territories outside the US and 18,434 SMB leaders in the US, conducted over the period 29 January–9 February 2021. US survey data collection was done in partnership with the Small Business Roundtable. The reporting is limited to SMB Business Leaders, defined as respondents who identified themselves as owning and/or managing a business consisting of fewer than 250 employees.

The findings from this survey add to the existing body of evidence and literature on the impact of COVID-19 on SMBs, particularly through its geographical coverage and number of respondents included. In considering the results, the following factors should be taken into account:

- The sample covered in the survey is representative of SMB leaders surveyable through Facebook at the country level and not necessarily of the national population of SMBs. Weights are applied to enable analysis, accounting for non-response. Statistics referring to the 'aggregate' sample should not be considered representative of the global population of SMBs, given the sample and overall number of countries included in the survey.
- SMBs here are defined as having fewer than 250 employees, regardless of revenue or industry.
- The definition of SMBs, the number of countries sampled within this report, and sampling approaches may differ from other sources in the literature, including the previous Global State of Business Surveys conducted in 2020. While the trends and key findings from the previous iteration of reports remain relevant, these differences limit direct comparison with the results of the current survey, especially when looking at aggregated statistics. Where directly compared in this report, survey data from May and October 2020 has been re-estimated using the same SMB definition.

27

countries and territories were included in the survey

36,354

SMB business leaders were surveyed

- The sample covered in the survey includes a roughly even split between SMBs in the US and SMBs in other countries. As such, results for the US are presented separately, with additional granularity on state-level results where available. Results for other countries are presented as country averages, with global results presented as the average across country results.
- Observations were weighted to account for response rates and representation within the Facebook SMB Leaders populations and reviewed for robustness before being included in this report. In comparing results across countries, it is important to consider that variation and differences between countries may be driven by numerous factors. This could include the sectoral makeup of an economy, the strictness of NPIs, the local level of cases, and the level or extent of government support, amongst other features. While this report does intend to highlight relationships of interest, causality cannot be inferred — for example, in the relationship between the strictness of NPIs and rates of closure — so further research is encouraged in this regard.
- The results presented in this report do not consider what responses might be in the absence of the COVID-19 pandemic. Any estimates should therefore not be viewed to indicate net impacts of the pandemic on businesses relative to a counterfactual scenario in which the COVID-19 pandemic had not occurred.

Further information surrounding the survey methodology, survey invitations, and response rates by country, together with sample characteristics, are provided in the Appendix. Information about how to access the unweighted data and full survey methodology is available at: [dataforgood.fb.com/docs/state-of-small-business](https://dataforgood.fb.com/docs/state-of-small-business).

**“SMB Business Leaders were defined as owners or business managers of a business with 250 employees or fewer.”**



SECTION 01

# Survivorship and closure rates



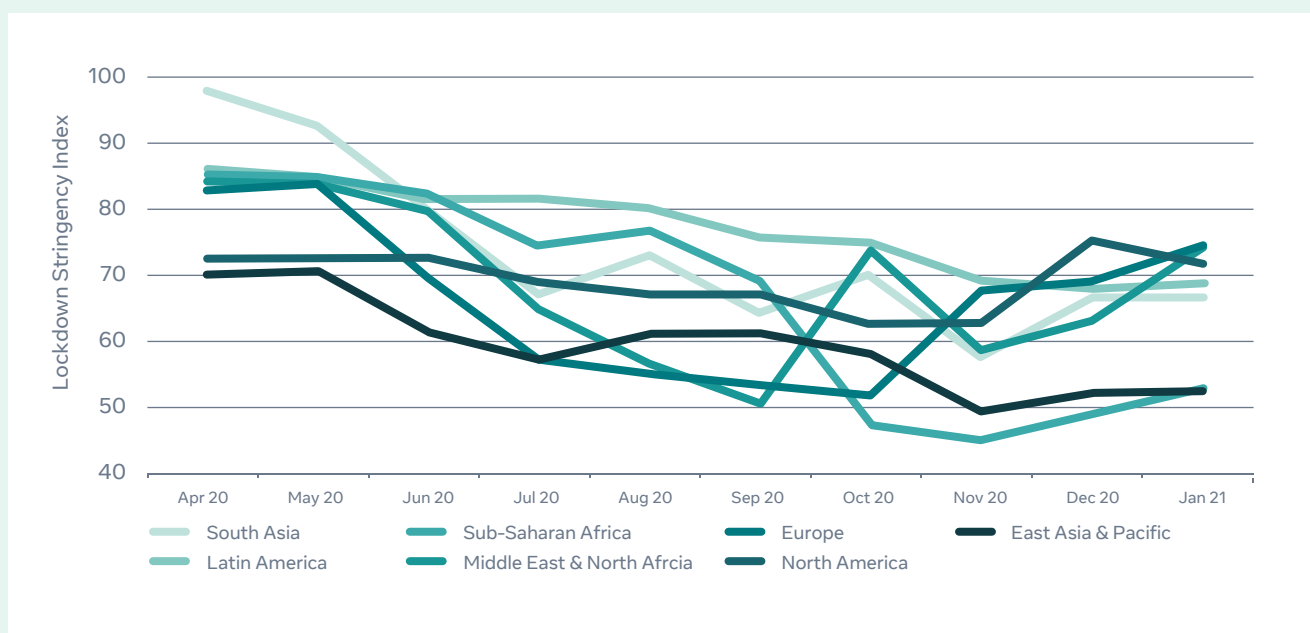


A key public health response to the COVID-19 pandemic by governments and health authorities globally has been the implementation of social distancing measures and other NPIs to reduce virus transmission. These 'lockdowns' have varied in strictness, with a generalised measure of the strictness of interventions dropping from peak levels in April 2020 in all regions and levelling off over 2020 (see Figure 1).<sup>7</sup> However, in some cases, restrictions tightened again towards the end of the year, with the steepest increase in strictness occurring in Europe.

One result of stricter public health interventions has been that many SMBs have had to temporarily close. Impacts have been particularly acute in sectors where SMBs make up 75% of employment, such as hospitality and other personal services (OECD 2020a). This has been compounded by the pre-existing vulnerability of SMBs to economic volatility due to tighter cash flows and more limited access to finance, increasing the risk of insolvency (Gourinchas et al. 2020).

**“One result of stricter public health interventions has been that SMBs have had to temporarily close.”**

**FIGURE 1:** Regional averages for country-level Lockdown Stringency Indices<sup>8</sup>



Source: Blavatnik School of Government - University of Oxford (Hale et al. 2020)

## Entering 2021, the business climate remains difficult, as the rate of closures amongst SMBs has increased since October 2020...

In October,<sup>9</sup> closures were found to have levelled off in aggregate from highs in May. However, they had started to rise again in some regions, such as Europe. At the start of 2021, the increase in closures had extended to all countries as the surge in COVID-19 cases led to a re-tightening of NPIs.<sup>10</sup> We now observe that almost one quarter (24%) of SMBs reported they were closed in February 2021, compared to a global average of 16% in October 2020 and 29% in May 2020.<sup>11</sup> In the US, closure rates were 22% in February 2021, 14% in October, and 23% in May.

Unsurprisingly, given the sharp rise in the strictness of public health interventions, European countries had the highest increase in closure rates. The proportion of SMBs that reported being closed rose from an average of 12% in October to 23% in February, close to the rate of 26% observed in May 2020. This masks variability across countries, however. Rates of closure were particularly high in the UK (37%, rising from 20% in October and dropping from 43% in May), Portugal (33%, rising from 7% in October and higher than 22% in May), and Ireland (32%, dropping from 57% in May and not included in the October sample).

# 24%

of global SMBs reported they were closed in February 2021, rising from 16% in October 2020

# 22%

of SMBs in the US reported being closed in February 2021, rising from 14% in October 2020





The Asia-Pacific region, which saw a 7 percentage point increase in average closure rates since October, also saw variability across countries and territories. Taiwan (13%) and Indonesia (16%) saw the lowest rates, although these rose from 6% and 11%, respectively, in October. In Taiwan, this figure was higher than the 4% reported in May, although in Indonesia, closure rates were below May levels of 18%. SMBs in India and Pakistan reported higher rates of closure, with 32% (rising from 24% in October and dropping from 46% in May) and 28% (rising from 23% in October and dropping from 38% in May) reporting they were closed at the time of the survey, respectively.

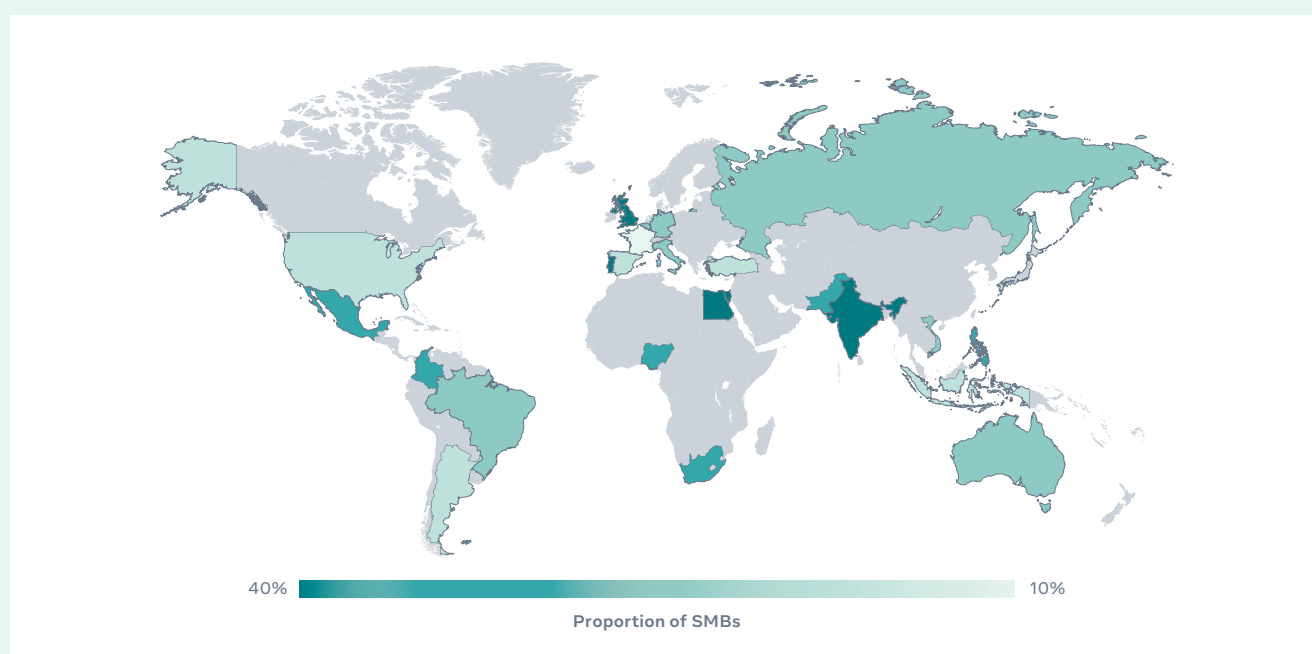
In Egypt, the proportion of SMBs reporting that they were closed was also significantly above the global average, at 35% (rising from 20% in October and lower than 41% in May). Only a few countries, such as France and Nigeria, reported little change in SMB closure rates between October and February. For Nigeria, the rate was still above the global average at 27%, although lower than closure rates in May (37%).

### ...with smaller SMBs more reliant on in-person interactions being most affected...

SMBs in other services, including personal services and hospitality, were the most likely to report being closed. Over one quarter of SMBs in each sector (26% and 25%, respectively) indicated they were not currently operational or engaging in any revenue-generating activities. This compares to just 18% of SMBs in logistics and 19% in manufacturing, the sectors least impacted by closures. SMBs that were smaller were particularly more likely to be closed. About one third (34%) of solopreneurs<sup>12</sup> and about one quarter (24%) of SMBs with one employee indicated they were closed, compared to 18% of SMBs with 2 or more employees.

In the US, the sector effects differed somewhat, with a more even distribution of closed SMBs across sectors. SMBs in hospitality were less likely than the average to indicate they were closed in February, at 20%. In contrast, 22% of US SMBs in construction indicated they were closed. Smaller businesses were still more affected, however.

FIGURE 2: SMB closure rates in February 2021, by country or territory





### ...and more women-led SMBs reporting being closed compared to men-led SMBs.

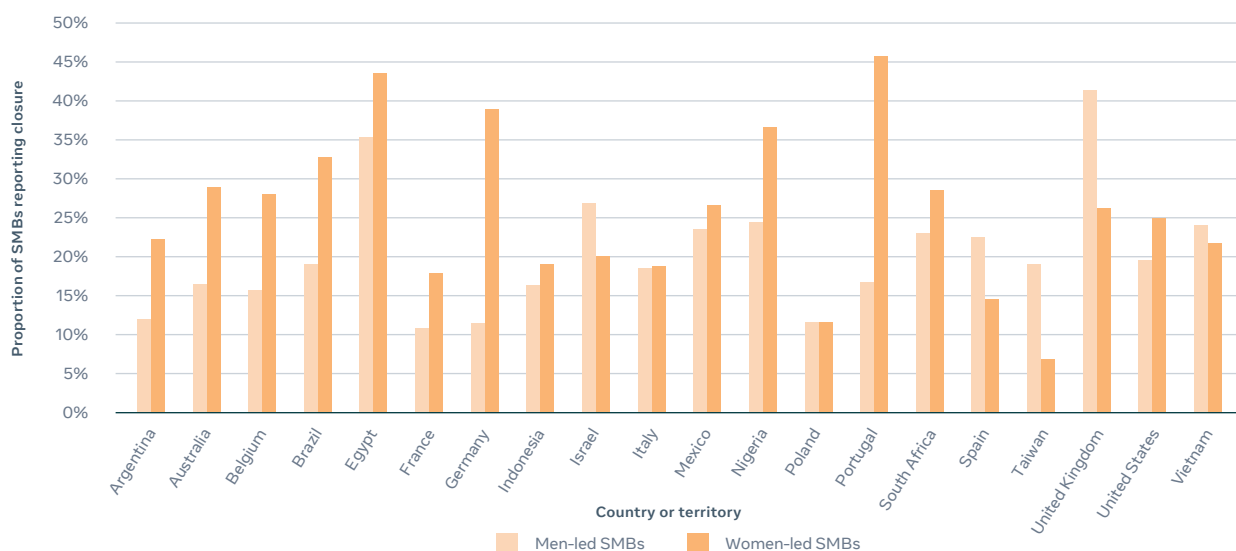
At the time of the survey in February 2021, 27% of women-led SMBs were closed in the global sample, compared to just 21% of men-led SMBs. In the US, a similar gap was observed, with 25% of women-led SMBs reporting they were closed, compared to 20% for men-led SMBs.

The disparity between men- and women-led SMBs was highest in Europe and Latin America. For example, in Portugal and Germany, closure rates were 29 and 28 percentage points higher for women-led SMBs, respectively. Similarly, in Latin America, the closure rate for women-led SMBs was 14 percentage points higher than that of men-led SMBs in Brazil and 10 percentage points higher in Argentina.

# 27%

of global women-led SMBs reported that they were closed, compared to just 21% of men-led SMBs

FIGURE 3: The differential in closure rates between women- and men-led SMBs, by country or territory<sup>13</sup>





About one third (34%) of solopreneurs and about one quarter (24%) of SMBs with one employee indicated they were closed, compared to 18% of SMBs with 2 or more employees.





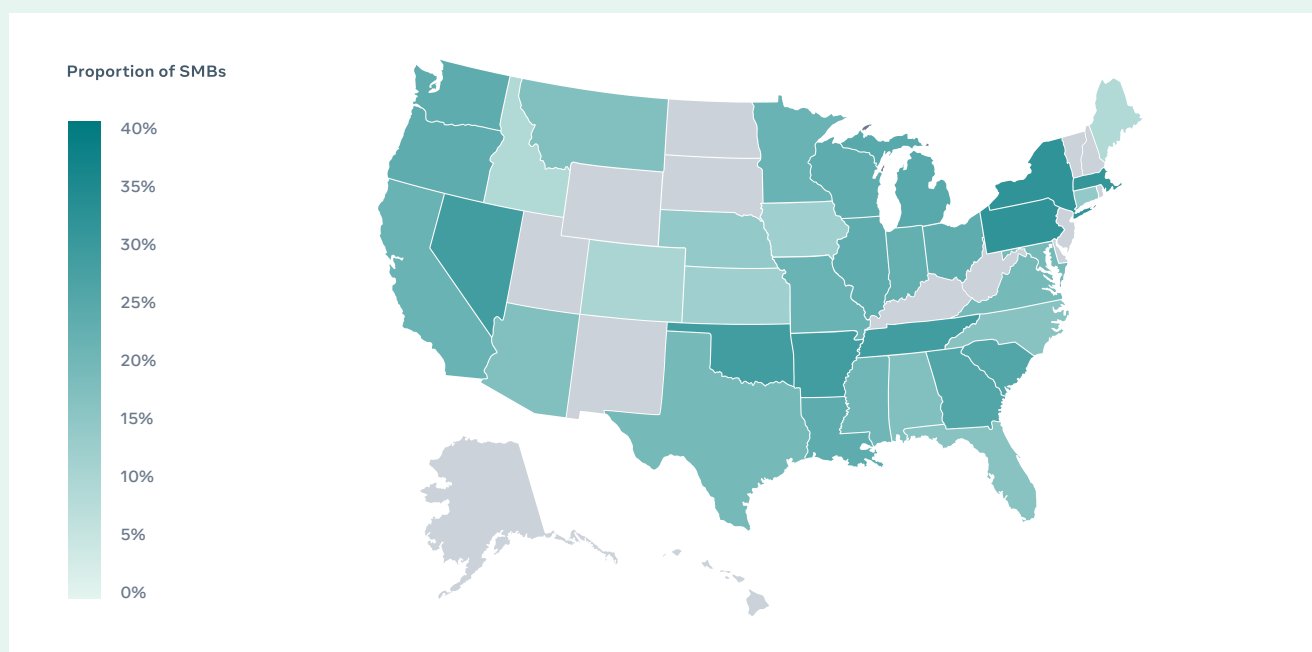
### In the US, strictness of NPIs did not seem to be correlated with higher rates of closed SMBs across states...

Across the US, 22% of SMBs reported they were closed at the time of the survey in February, rising from 14% in October to approximately the same level as May (23%). This was in line with the increasing strictness of public health interventions nationally from the October 2020 lows and May 2020 highs.

However, the experiences of SMBs differed significantly across states and were not always in line with changes in the strictness of NPIs. Closure rates were highest in states in the Middle Atlantic region, where 31% in New York and 31% in Pennsylvania reported being closed. These findings lend support to complementary economic trackers, suggesting that one third of small businesses in New York and New Jersey that had been open in January 2020 had shut their doors by the latter stages of 2020.<sup>14</sup> The proportion of SMBs that reported being closed was also high in Massachusetts at 30%, which had stricter interventions than the US average.

Other states had closure rates much lower than the US average. SMBs in Idaho and Maine were least likely to report being closed, with the overall rate at 9% for each. Similarly, Colorado (10%), Iowa (12%), and Kansas (12%) all reported closure rates that were less than half of the US average. All these states' measures of public health intervention strictness were relatively close to the average strictness across the US. Altogether, this suggests a lack of direct correlation between NPI strictness and closure rates in the US.

FIGURE 4: SMB closure rates across the US, by state<sup>15</sup>



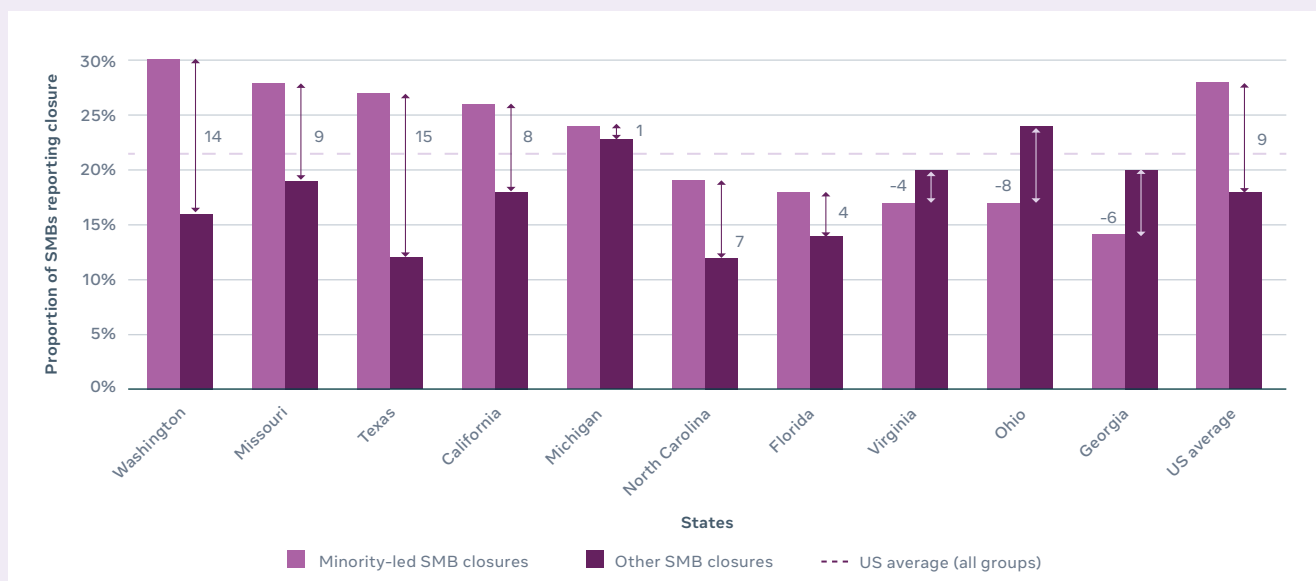
### ... but minority-led SMBs appeared to have a particularly high rate of closures.

Minority-led SMBs appeared to be disproportionately impacted by closures across states and in the US overall. In the aggregate, minority-led SMBs were 9 percentage points more likely to have been closed, with 27% closed compared to 18% of other SMBs.<sup>16</sup> This disparity was much higher in some states, such as Texas (15 percentage points) and Washington (14 percentage points). However, in a few states, the gap was reversed, with minority-led SMBs in Georgia and Ohio being 6 and 8 percentage points, respectively, less likely to have reported being closed.

There are also significant disparities across minority groups. At the national level, Black-led SMBs were the most likely to report being closed, at 33%.

This compared to just 13% for Asian-led SMBs, 23% for Native American-led SMBs, and 26% for Hispanic-led SMBs. However, these masked varying gender gaps. While a relatively similar proportion of Black-led SMBs reported being closed across genders (33% for women-led SMBs and 31% for men-led SMBs), Hispanic women-led SMBs lagged behind men-led counterparts (31% vs. 24%). In contrast, SMBs led by women indicating more than one race or ethnicity were less likely to be closed than those led by men (20% vs. 27%).

FIGURE 5: The differential in closure rates between minority-led SMBs and other SMBs, for selected states<sup>17</sup>





Overall, the beginning of 2021 has seen the impact of the pandemic with the conditions facing businesses remaining difficult, even increasing in intensity since the third quarter of 2021.

Closure rates have risen across almost all countries and territories sampled, with this most evident where there were sharper increases in government restrictions, such as in the UK and Portugal. This trend is less pronounced in the US, however, where states with higher and lower restrictions both have seen high rates of SMB closures. In addition, women-led and minority-led SMBs are more likely to be facing challenges and reporting closures.

“Closure rates have risen across almost all countries and territories sampled, with this most evident where there were sharper increases in government restrictions.”





SECTION 02

# Effects on sales





Even if they have been able to remain open, SMBs have faced a challenging business environment. The persistence of the pandemic has meant a recurrence of mobility-reducing public health restrictions. Google Mobility Data shows that retail and recreation mobility continue to be well below pre-pandemic levels in many countries.<sup>18</sup> In some European countries, such as Germany and the UK, January 2021 mobility was at or below April 2020 lows.

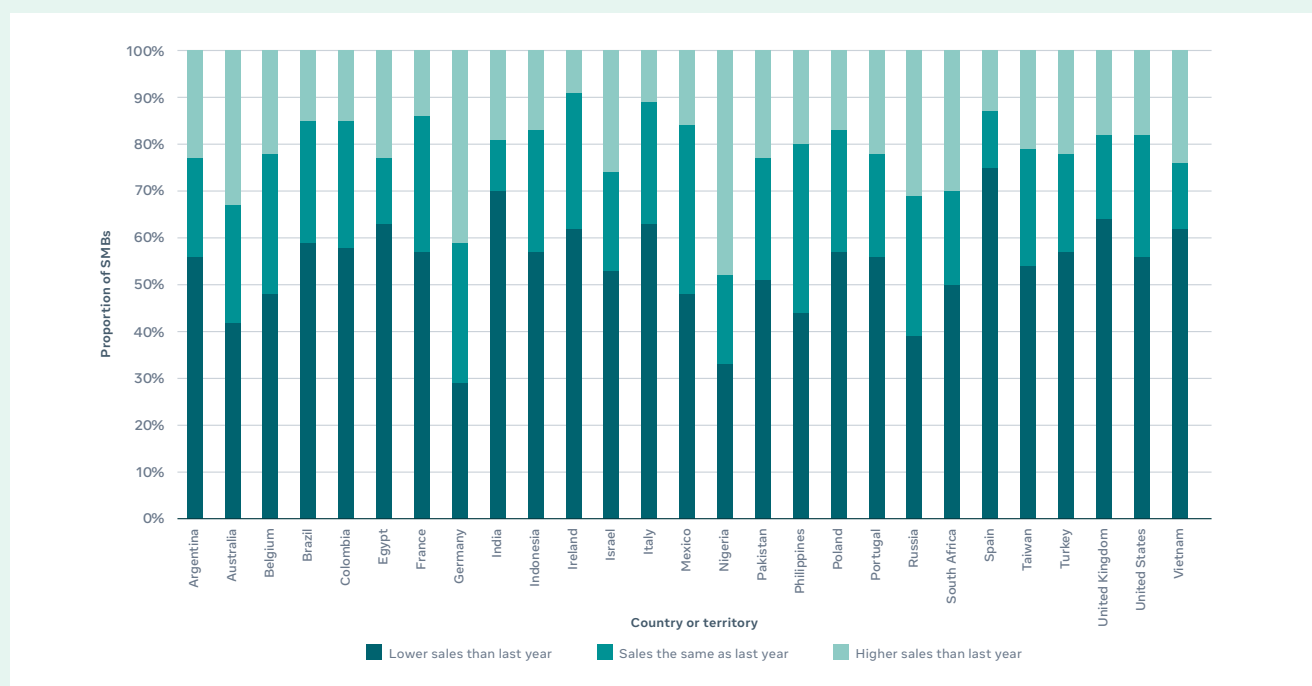
This reduced mobility can have a strong effect on sales for businesses dependent on in-person interactions, such as shops and restaurants. These industries also contain a relatively high share of SMBs. Despite adaptations to allow for remote sales, therefore, SMBs continue to report decreased sales, with potential long-term challenges going forward.

### The majority of SMBs have seen a decline in sales compared to just before the pandemic...

The majority of SMBs that remained operational continued to endure tough business conditions, indicating a weaker traditional holiday sales period in many countries.<sup>19</sup> Globally, 55% of SMBs reported lower sales in January 2021 compared to the previous year, just before the wide spread of the COVID-19 pandemic.

Reductions in consumer demand and government public health interventions have served to create a challenging environment for businesses to navigate. In keeping with the high rate of closures, operational businesses were particularly impacted in Europe. Most notably, 75% of operational Spanish SMBs reported a fall in sales from the previous year.<sup>20</sup> Similar patterns were also observed in Ireland (63%), the UK (64%), and Portugal (66%). High rates of operational SMBs reporting a drop in sales were also observed across all regions, with more than 50% reporting lower sales in 19 of the 27 countries and territories sampled.

FIGURE 6: Sales performance compared to the previous year, for SMBs in selected countries or territories



The bleak picture for SMBs was characterised not only by the number of businesses reporting a fall in sales, but also by the magnitude of the declines observed, which appeared to be correlated with the severity of public health interventions (see Figure 7). In the UK, the country with the highest average strictness of NPIs in January, 64% of operational SMBs reported a drop in sales and 37% reported sales had fallen by more than half. By comparison, in Taiwan, which had the most relaxed restrictions amongst sample countries and territories, only 12% of operational SMBs reported a drop in sales of more than half (54% of operational SMBs still reported reduced sales more broadly). This was also observed for operational SMBs in Russia, where 39% reported a sales decline, of which only 35% reported a drop of more than half.

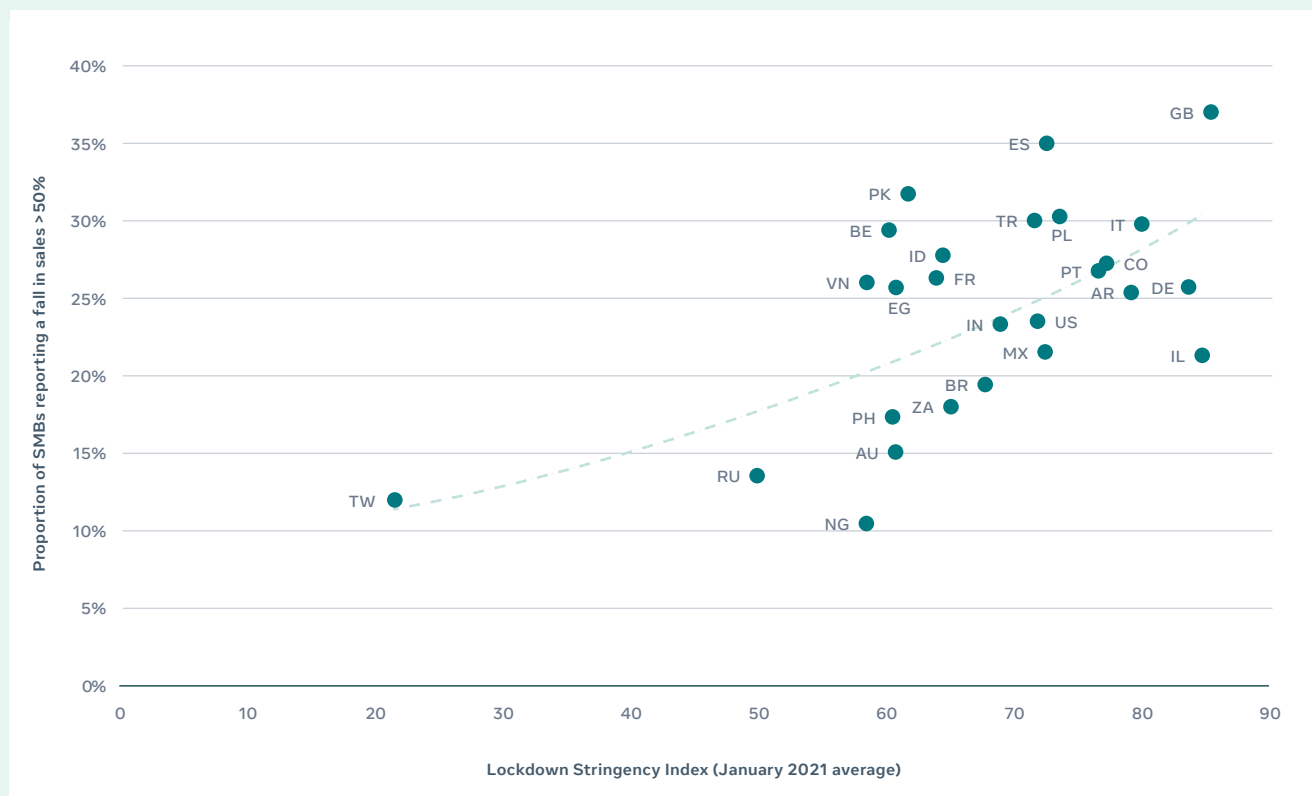
# 55%

of operational SMBs globally reported a drop in sales compared to the previous year

# 51%

of operational US SMBs reported a drop in sales compared to the previous year

**FIGURE 7:** Magnitude of sales reductions from previous year for SMBs compared to Lockdown Stringency Index for January 2021, by country or territory<sup>21</sup>

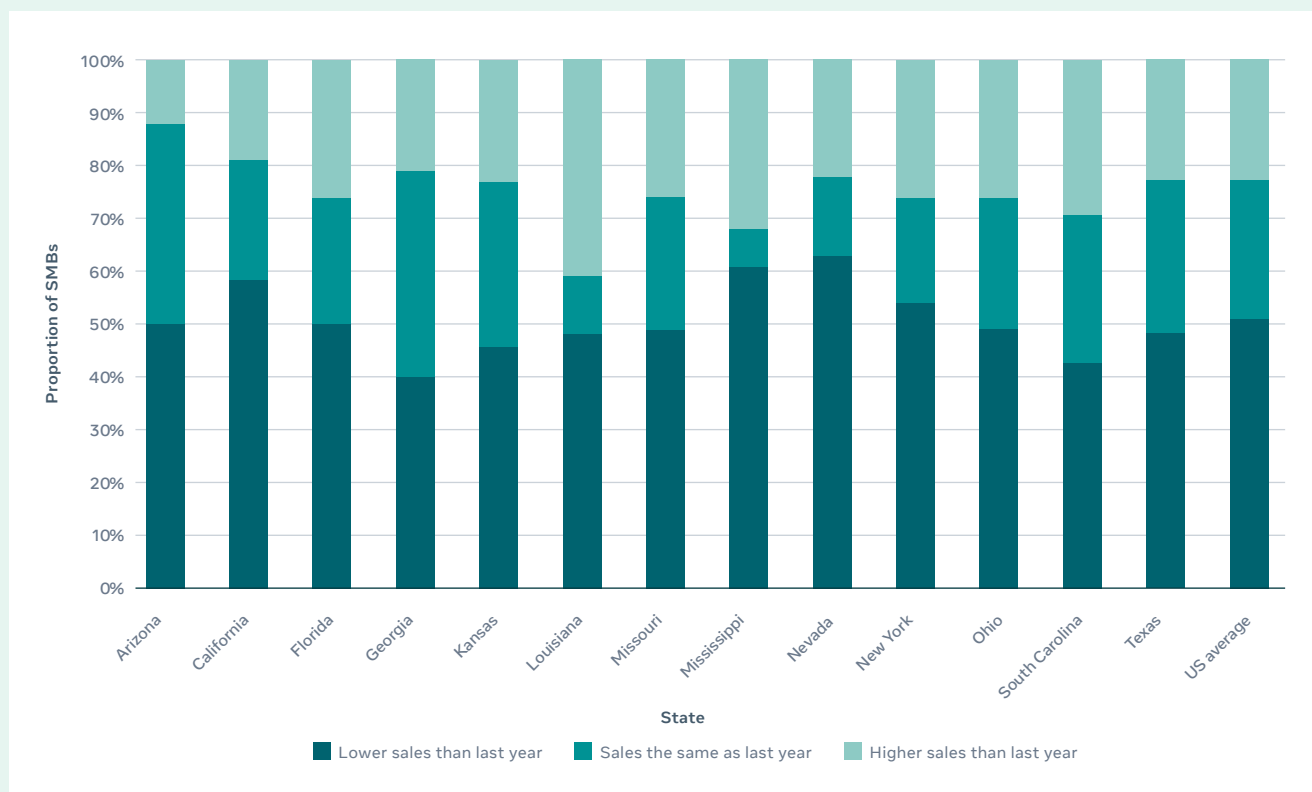




Not all countries or territories surveyed experienced such high rates of firms reporting lower sales. For instance, almost half of SMBs continuing to operate in Nigeria (48%) reported that sales had increased and only 33% reported that sales had declined, although many Nigerian SMBs were also not operating at all. SMBs in Australia, where COVID-19 restrictions have eased significantly over the previous months, appeared to fare better compared to the global average. Only 42% of operational SMBs reported that sales had dropped, and one third reported that sales were better than the previous year.

In the US, a proportion similar to the global average reported a decrease in sales compared to the previous year. Here, 51% of operational SMBs reported a decline, although there was a high degree of variation by state. On the higher end, Illinois (69%), Michigan (66%), Nevada (63%), and Mississippi (61%) all had rates of SMBs that reported a drop in sales that were over 10 percentage points above the US average. In comparison, operational SMBs in Iowa (33%), Indiana (35%), and Arkansas (36%) were least likely to have reported a decline in sales. Operational SMBs in Idaho and Louisiana were most likely to report a rise in sales compared to the previous year, at 42% and 41%, respectively.

**FIGURE 8:** Sales performance compared to the previous year, for SMBs in selected US states<sup>22</sup>





## Women-led SMBs were consistently more likely to report a drop in sales...

Women-led SMBs were 4 percentage points more likely than men-led SMBs to experience worse sales performance globally. Disparities were much larger in some countries, however. The highest gaps were observed in South Africa (18 percentage points), Germany (16 percentage points), and Colombia (15 percentage points). In contrast, women-led SMBs in Russia were less likely to report a drop in sales than men-led SMBs, by 17 percentage points.

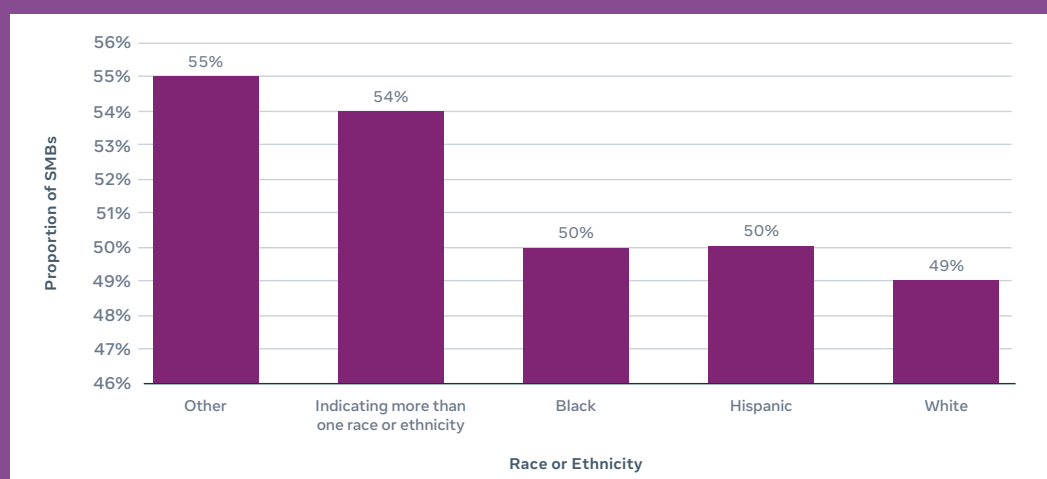
In the US, the gender gap was also pronounced. Over half (54%) of women-led SMBs reported a fall in sales, compared to just 47% of men-led SMBs. Across states, the gap between men-led and women-led SMBs was highest in Tennessee (23 percentage points), Ohio (16 percentage points), Illinois (14 percentage points), and Missouri (14 percentage points).

## ...while over half of US minority-led businesses reported a drop in sales compared to the previous year.

In the US, 55% of minority-led SMBs reported a drop in sales compared to the previous year, or 6 percentage points more than other SMBs. However, Black-led SMBs and Hispanic-led SMBs reported lower sales (50%) at a rate similar to SMB leaders that were not minorities (49%).

The magnitude of drops was much higher for minority-led SMBs than other SMBs, however. Minority-led SMBs that reported lower sales were 7 percentage points more likely to have sales drop greater than 50% than similar SMBs not led by minorities. Almost two thirds (62%) of Black-led SMBs and 46% of Hispanic-led SMBs that reported a drop in sales indicated that they had dropped by over 50%.

FIGURE 9: Proportion of SMBs reporting a sales reduction from previous year, by race or ethnicity





### ... while unsurprisingly, sectors dependent on in-person interactions were the hardest hit.

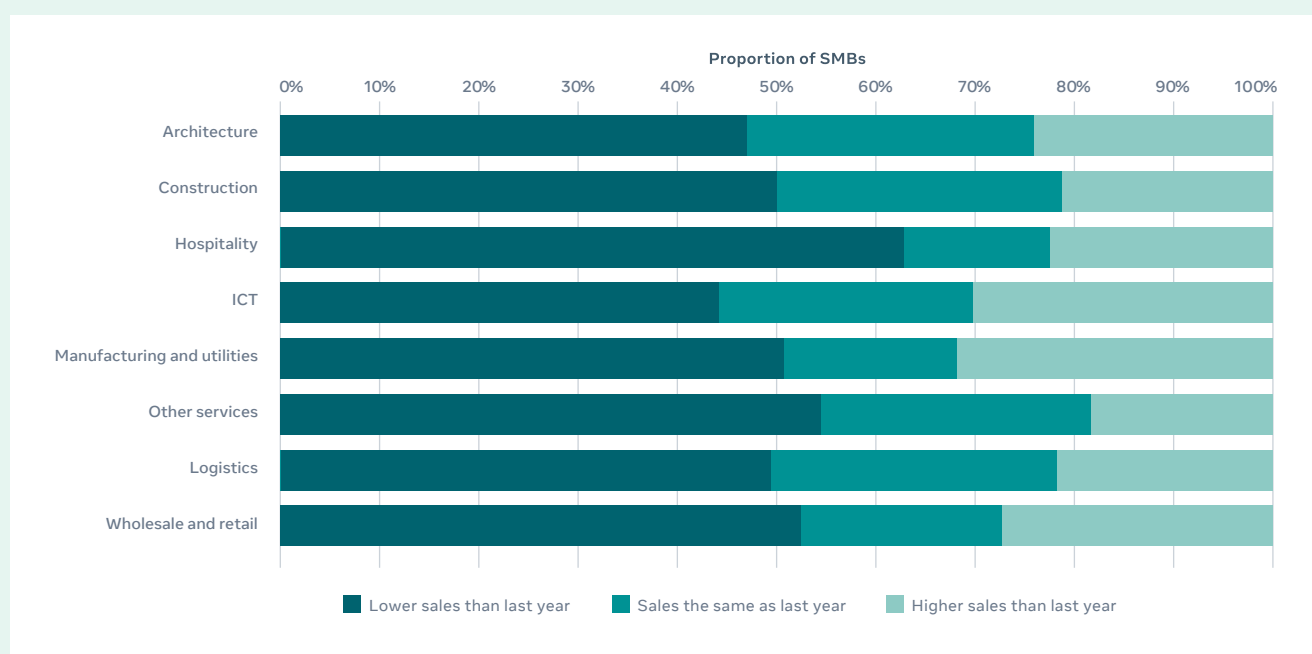
SMBs in industries requiring direct consumer interaction, such as hospitality, appeared to be most impacted. A large majority (63%) of operating SMBs in this sector reported worse sales performance compared to just before the pandemic. At the same time, other sectors were not immune to impacts. Over half of SMBs operating in manufacturing, wholesale and retail, and other services stated that their sales had declined. A similar picture was observed within the US, with 66% of operational SMBs in hospitality indicating sales had fallen compared to the same point in the prior year. In contrast, only 16% indicated sales had improved.

### Overall, a significant proportion of SMBs are not confident about being able to continue in the current climate.

Given that such a large proportion of operational SMBs reported lower sales performance compared to last year, it is unsurprising that SMB leaders cite lack of demand and insufficient cash flows to be the main challenges in the coming months. At the same time, the proportion indicating that they expect to face these and other challenges in the coming months has significantly dropped since May and October 2020.

Just under one quarter of business leaders (24%) of operational SMBs cited demand as a significant future challenge — the most-cited challenge, albeit dropping from 47% in May. This was followed closely by cash flow, with 19% of global SMBs indicating it as a challenge, down from 39% in May.

FIGURE 10: Sales performance compared to the previous year, by sector



In comparison, only 12% of SMBs thought further government or health authority orders would be a challenge, which may be linked to the rollout of the vaccine in 2021. These concerns were highest in countries with the strictest government public health interventions in the latter half of 2020. In Germany and Poland, 31% and 25% of SMBs, respectively, highlighted these challenges.

Overall, the challenges mean that SMBs that were operating at the time of the survey were not optimistic about being able to continue operating if existing conditions continue. Only 54% of SMBs globally reported confidence in their ability to continue operating for at least 6 months if current circumstances persist.

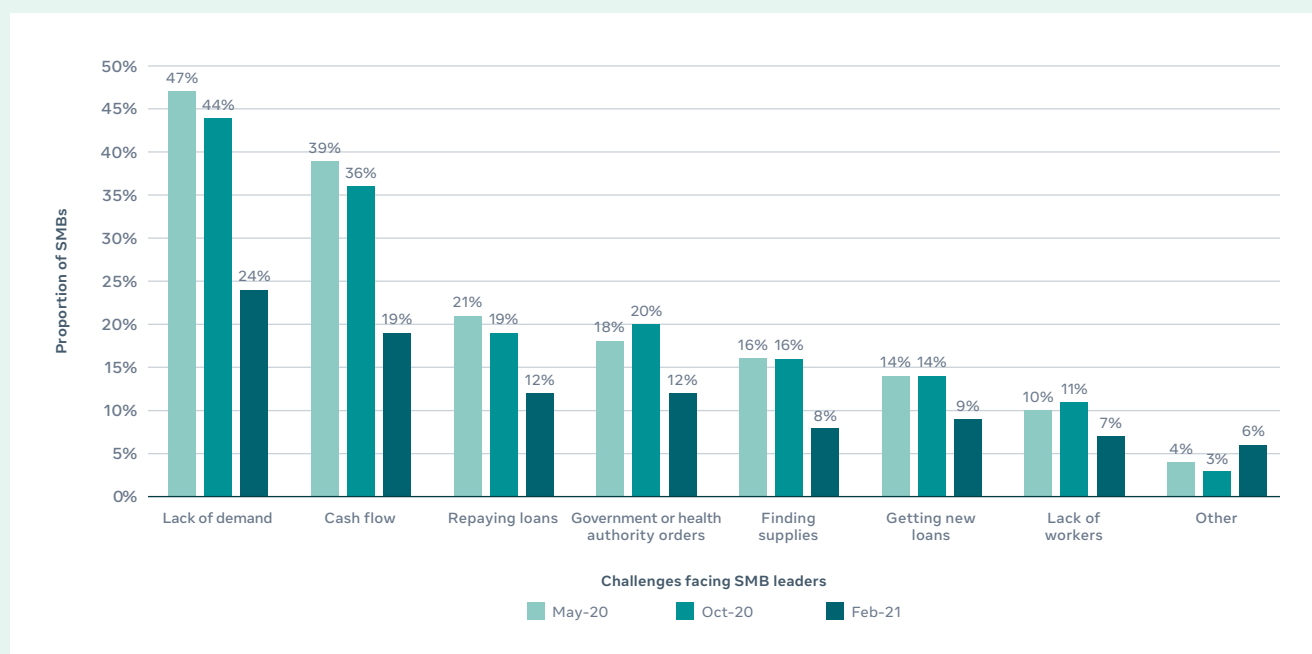
SMB leaders in Egypt and India were least likely to be confident in their ability to continue for at least 6 months, with only 31% and 39%, respectively, indicating confidence. In contrast, SMBs in the US (68%), Belgium (72%), Germany (74%), and Australia (79%) were the most confident.

The findings on sales performance highlight the severity of the impacts of the COVID-19 pandemic even for businesses that can operate. Where SMBs have been able to continue operating, most have still been significantly negatively impacted by the economic conditions of the pandemic. As such, many SMBs expect that they may not be able to continue to operate if current conditions continue much longer.

# 54%

of SMBs globally are confident they can continue operating for at least 6 months

**FIGURE 11:** Challenges that business leaders expect to face in coming months, across May 2020, October 2020, and February 2021 surveys







SECTION 03

# Effects on employment



An important consequence of the financial pressure on SMBs is its wide-scale impact on overall employment. SMBs account for 60% to 70% of employment in most countries, which means that SMBs' ability to continue employing people can have significant and wider macroeconomic consequences (OECD 2017). On a global level, the International Labour Organization (ILO) estimates that 8.8% of working hours were lost in 2020. The number of people unemployed rose by 33 million, or 1.1%, to 6.5% of the global workforce (ILO 2021).

For that reason, governments have focused on providing support to either avoid or lessen the impact of unemployment. Implemented policies have included furlough schemes, boosted unemployment benefits, job retention grants and loans, and direct payments sent to all citizens.<sup>23</sup> This has meant that 71% of employment losses were people becoming economically 'inactive', as opposed to unemployed, while the global labour force shrunk by 2.2 percentage points to 58.7% of the population (ILO 2021). Whether these employees, who may be on furlough or made redundant, are rehired will be a key consideration for whether the effects on employment lead to longer-term labour market impacts.

### Many operational SMBs have reduced their workforces in response to the pandemic, although these statistics have improved in some countries...

In total, 30% of operational SMBs reported that they had reduced employment since the start of the COVID-19 pandemic.<sup>24</sup> This represents a slight improvement since May 2020 (37%) and October 2020 (38%).<sup>25</sup> In comparison, just 7% of operational SMBs globally stated that they had increased employment in February 2021, better than in May 2020 (5%) and roughly the same as in October (8%). In the US, 27% of SMBs responded that they had reduced employment, consistent with the rate in October (27%) and slightly lower than in May (32%). Similar to global trends, 7% of operational SMBs indicated they had increased employment, although this was lower than October (13%) and higher than May (3%).

Countries and territories in Asia had some of the highest rates of SMBs reporting they had reduced employment since the pandemic. Over half of operational SMBs in India (45%), the Philippines (56%), and Indonesia (59%) reported decreased employment. This reflected an improvement in Indonesia and India by 5 and 8 percentage points, respectively, since October and by 6 and 5 percentage points since May. However, in the Philippines, this reflected an increase of 10 percentage points since October and a rise of 4 percentage points since May. Latin America, by contrast, had much higher variability across sampled countries. Almost half (46%) of SMBs in Colombia and 38% in Mexico stated that they had reduced employment, with this signifying an improvement for Colombia from 62% in October and being similar to the rate in May (47%). In comparison, in both Brazil and Argentina, 26% of operational SMBs reduced employment, with this improving in the latter by 14 percentage points since October and 7 percentage points since May. Reduced employment was also high in Nigeria, at 51% of operational SMBs, similar to October (53%) and May (52%).

SMBs account for

# 60–70%

of employment in most countries

# 30%

of operational SMBs globally reported that they had reduced employment since the start of the pandemic

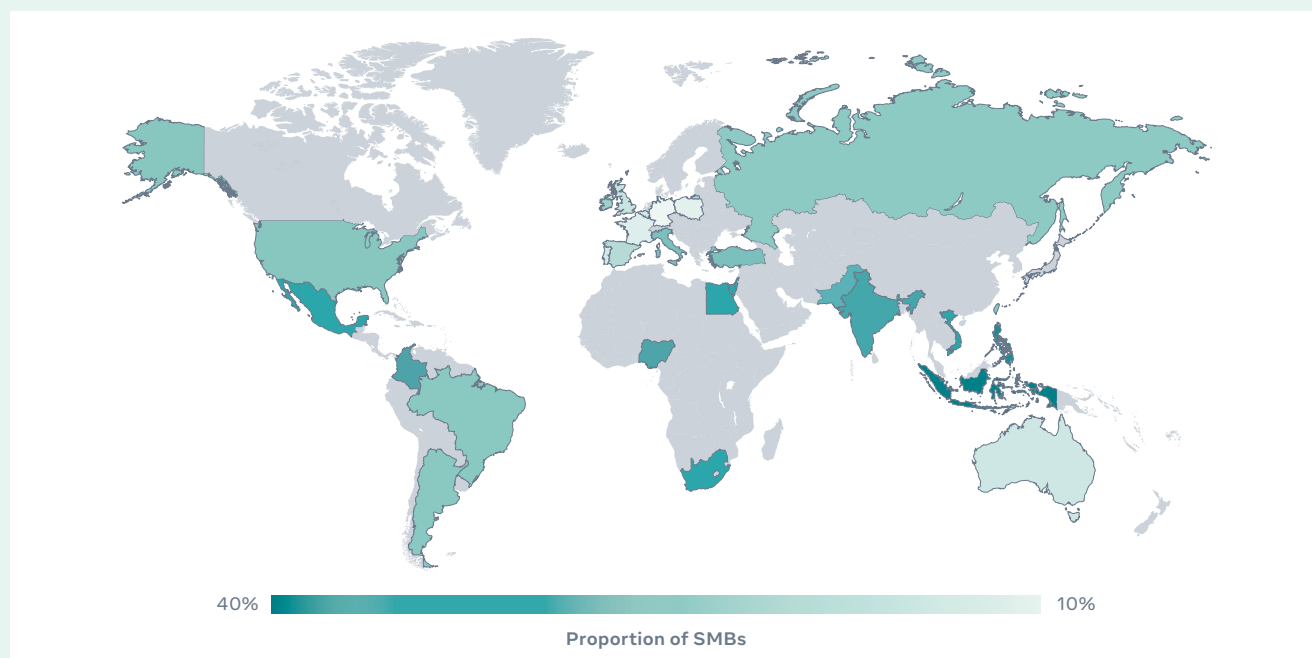


Operational SMBs in Europe were least likely to respond that they had reduced employment, with an average of only 20% reporting that they had done so, compared to 38% for non-European countries. This may be because European governments were more likely to provide support aimed at retention, potentially mitigating employment impacts (International Monetary Fund 2020). Just 10% of operational SMBs in Germany, 13% in Poland, and 15% in France reported reduced employment. Germany in particular reported an improvement: 17 percentage points since October and 15 percentage points since May. In the UK, the sample country with the strictest NPIs at the time of the survey, only 20% of SMBs reported reduced employment. This represented a 9 percentage point improvement since October 2020, but was still lower than 31% in May 2020.

### ...although there remains a risk of these employment reductions persisting...

The large shares of SMBs with reduced employment may have important implications if this condition persists, as this can lead to longer-term impacts on labour markets. This risk is particularly high where SMBs are laying off significant portions of their employees, as that is likely to be a more permanent employment reduction than furloughs. The majority of operational SMBs that reduced employment in Spain (52%), Egypt (56%), Israel (57%), Pakistan (59%), Indonesia (62%), Colombia (62%), Mexico (65%), and the Philippines (68%) laid off half or more of their employees. SMBs in the Philippines appeared to be exceptionally impacted, with both high rates of employment reductions (56%) and, among businesses that reduced employment, high rates reporting they had laid off all their employees (41%). This was lower for other countries and territories, with between 0% (Taiwan) and 27% (Vietnam) of operational SMBs that had reduced employment reporting they had laid off all employees as a result of the pandemic.

FIGURE 12: Proportion of SMBs reporting they have reduced employment since the start of the COVID-19 pandemic, by country or territory

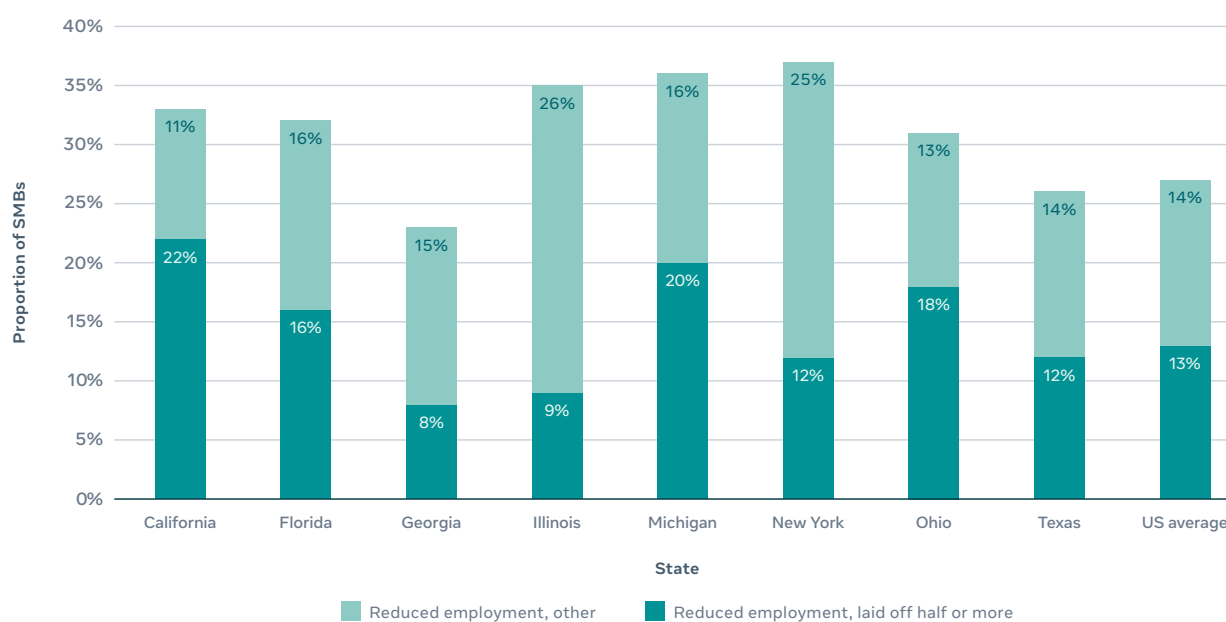


This may also be a large concern in the US, where 27% of operational SMBs reported reduced employment. Reductions in employment varied from state to state. States with relatively high shares of SMBs reporting reduced employment included Florida (32%), California (33%), Michigan (36%), Illinois (36%), and New York (38%). Of businesses that reduced employment, the majority in Michigan (56%), Ohio (57%), and California (66%) stated that they had laid off half or more of their employees. Overall, 48% of operational SMBs across the US that had reduced employment reported they had laid off half or more of their employees.

At a global level and in the US, there were limited differences in employment reductions between women- and men-led SMBs. In some countries, however, there were more significant discrepancies. This included Brazil, Mexico, and Portugal, where operational, women-led SMBs were 8, 11, and 13 percentage points, respectively, more likely to have reduced employment.

In the US, Pennsylvania and Ohio had some of the largest gaps between women- and men-led SMBs. Women-led SMBs that were operational were 11 and 13 percentage points more likely to report reduced employment, at 32% and 33%, respectively.

**FIGURE 13:** Proportion of SMBs reporting they have reduced employment, including those that have laid off half or more of employees since the start of the COVID-19 pandemic, for selected states<sup>26, 27</sup>





### ...with impacts hitting certain segments of SMBs in particular.

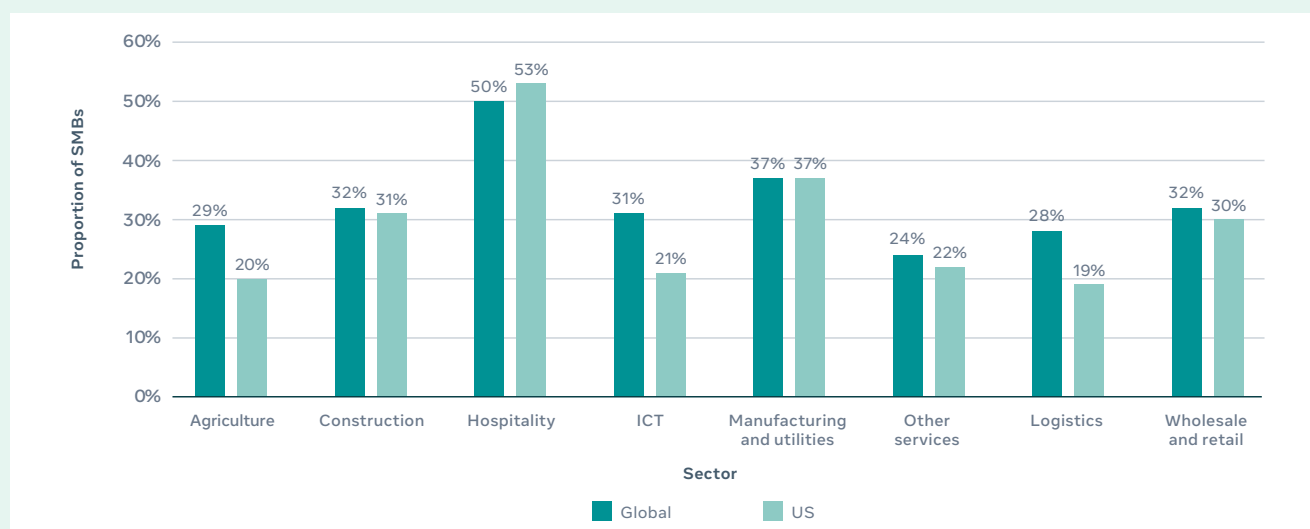
Trends in employment changes by sector were in line with trends in closures and sales impacts, with particularly severe impacts faced by SMBs reliant on in-person interactions with customers. Half of operational SMBs in hospitality reported they had reduced employment. There were differences in the scale of layoffs between the US and elsewhere, however. Just under one third (32%) of SMBs that indicated they had reduced employment laid off half or more of their employees as a result of the pandemic in the US, while over half (51%) did so across other countries. Overall, of the sampled hospitality SMBs that indicated they had reduced employment, 43% stated they had laid off half or more of employees.

Rates of SMBs that reported reduced employment were at least 13 percentage points lower in non-hospitality sectors. In manufacturing, operational SMBs were the second most likely to report they had reduced employment, at 37%. For other sectors, between one quarter and one third of operational SMBs reported they had reduced employment. Rates were somewhat lower for some sectors in the US, however, in particular information and communication (ICT) (21%, compared to 31% globally), agriculture (20%, compared to 29% globally), and logistics (19%, compared to 28% globally).

In the US, minority-led SMBs were more likely to report reduced employment. Almost one third (32%) of operational, minority-led SMBs reported reduced employment, compared to just 25% of other SMBs. On a state level, some had larger gaps than the national average, including Illinois (12 percentage points) and North Carolina (10 percentage points). Differences were also apparent across racial groups, including Hispanic-led (35%), Native American-led (34%), and Black-led SMBs (30%).

Minority-led SMBs were also more likely to have laid off a significant portion of staff, which may result in higher unemployment trends for minorities in the US. Over half (56%) of operational, minority-led SMBs that had reduced employment laid off half or more of their staff. This compares to only 45% of equivalent SMBs not led by minority business leaders.

FIGURE 14: Proportion of SMBs reducing employment since the start of the pandemic, by sector



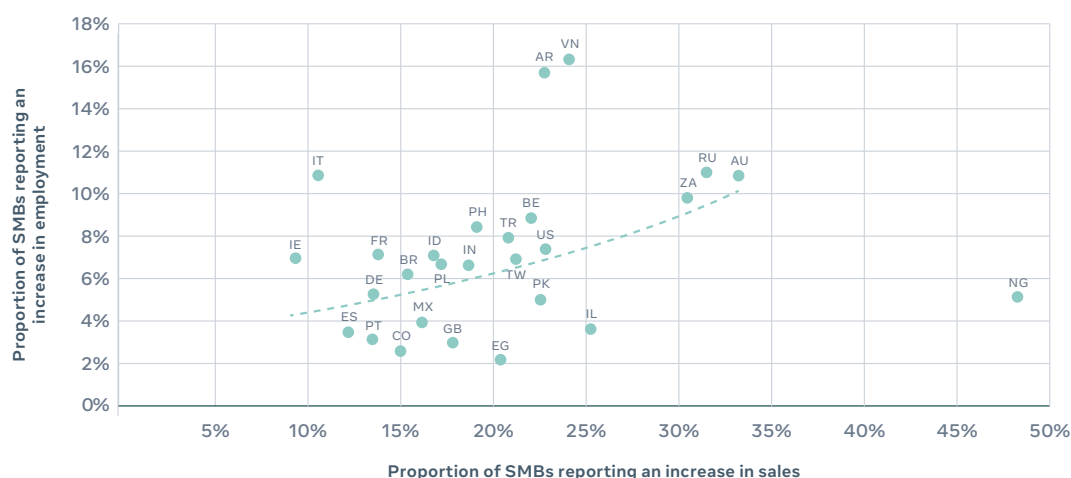
### Many businesses are not planning to rehire laid off or furloughed employees, which could lead to labour market scarring.

Against the backdrop of lower sales and reduced cash flows, SMBs were pessimistic about rehiring many of the employees laid off or furloughed during the pandemic. Over half (51%) of operational SMBs stated that they did not plan to rehire former employees over the next 6 months, with only 25% of SMBs stating they planned to rehire. This was lowest in European countries, where almost two thirds (65%) stated they did not plan to rehire former employees and only 16% did plan to rehire. The exception here was Turkey, where these figures were 41% and 46%, respectively.

A similar trend was observed in the US, where over half (51%) of operational SMBs stated they did not plan to rehire former employees in the next 6 months. SMBs were even more likely to be planning not to rehire in certain states, such as Louisiana (58%), Arizona (60%), Missouri (63%), and South Carolina (65%). In the US, 22% stated they did plan to rehire. Only Massachusetts (45%), Maryland (49%) and Indiana (51%) and had one third or more of operational SMBs saying they planned to rehire former employees in the next 6 months.

If reductions in employment persist, this may lead to longer-term impacts on the labour market, given the importance of SMBs to general employment. This points to the importance of boosting the general business environment, with trends from countries with more SMBs indicating an increase in sales, suggesting the potential for recovering employment losses from the pandemic (see Figure 15). Some SMBs have already started to rehire employees, with 18% of operational SMBs stating that in the past 3 months, they had rehired workers that were either laid off or furloughed since the start of the pandemic. This was particularly high in some non-European countries. About two fifths of operational SMBs reported that they had rehired former employees in the past 3 months in South Africa (38%), Pakistan (39%), Indonesia (40%), Israel (41%), and India (42%).

**FIGURE 15:** The relationship between the proportion of SMBs reporting an increase in sales and the proportion of SMBs reporting an increase in employment, by country or territory<sup>28</sup>





**Overall, the survey points to significant employment challenges for many SMBs and the potential for longer-term impacts on the labour market.**

Given their importance as employers, this lost employment could have significant macroeconomic implications if it translates to lost income for many people in the absence of government support. SMBs' plans for rehiring will therefore be essential to sustain a labour market recovery for many countries.

# 51%

of operational SMBs globally stated that they did not plan to rehire former employees over the next 6 months

# 25%

of operational SMBs globally stated they planned to rehire





SECTION 04

# Digital transformation





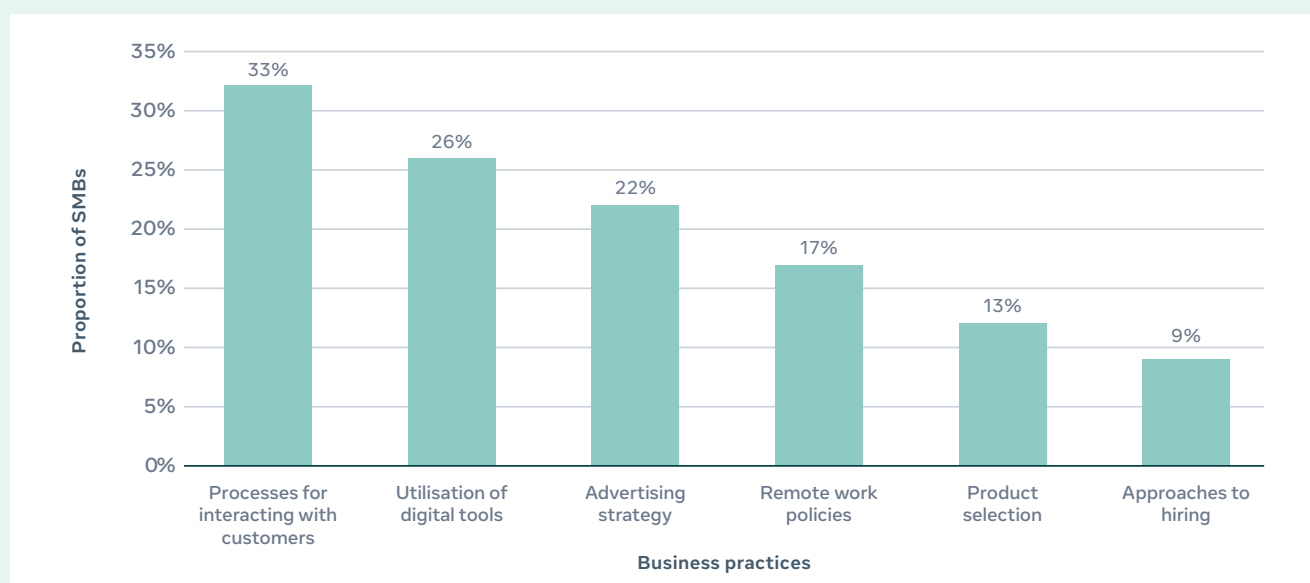
Businesses have needed to make many changes to the way they operate and interact with customers during the pandemic. These changes have focused on increasing both remote sales and work given the need for social distancing, supported by a variety of digital tools. Indeed, many SMBs have responded to the pandemic by building their digital capabilities, particularly women-led and minority-led SMBs and SMBs in middle-income countries. These changes include significantly increasing their participation in e-commerce and digitising their methods of communicating with customers. These trends may therefore help to narrow pre-existing digital gaps relative to larger businesses (Deloitte 2020a, OECD 2019).

At the same time, new consumer habits and employee expectations of work conditions that have formed since the beginning of the pandemic are likely to become embedded as the pandemic recedes (OECD 2020b). This means that businesses of all sizes will need to adapt to more digitalised versions of their industries going forward. It also suggests the potential for long-term impacts on urban economies and policymaking focused on urban and regional development (Reuters 2020, The New York Times 2021).

### Given the pandemic business environment, many SMBs have had to change how they operate...

A large majority of SMBs have adapted to new business conditions as a result of the pandemic (see Figure 16). From a list of common adaptations that businesses have made during the pandemic, a large majority of SMBs (62%) reported that they had changed at least one aspect of the way they do business. Of these, processes for interacting with customers were the most commonly reported change, at 33% globally and 46% in the US. Over one quarter of SMBs (26%) also reported that they had changed their utilisation of online tools.

FIGURE 16: Changes made by SMBs since the start of the COVID-19 pandemic



Additionally, there were significant differences across high- and middle-income countries and territories in the sample. SMBs in middle-income countries were on average 13 percentage points more likely to report they had changed at least one aspect of their business, at 68% compared to 55% for high-income countries and territories. The largest difference appeared in those responding that they had changed their advertising strategy. An average of 25% had done so across middle-income countries, compared to 18% in high-income countries and territories. For other usages of online tools, SMBs in middle-income countries were between 2 and 3 percentage points more likely to indicate they had changed as a result of COVID-19.

At least half of SMBs in all sectors had changed at least one aspect of the way they conduct their business, although there were still some large differences. SMBs in ICT and in wholesale and retail trade were most likely to have changed, at 70% in each sector. In contrast, operational SMBs in manufacturing (50%), agriculture (51%), and logistics (52%) were least likely to have reported at least one change. Additionally, logistics SMBs in the US were least likely to have reported making at least one change to their business due to the pandemic, at just 33%.

### ...with digital tools being integral to connecting SMBs with customers...

A large proportion of leaders in operational SMBs indicated that they utilised digital tools for their businesses. The most prevalent usages were to sell goods and services to customers (37%), advertise (40%), and communicate (55%). Usage for customer communications was particularly high among European SMBs, with 72% of Belgian SMBs and 68% of German SMBs highlighting this.

In the US, similar trends were common, with 42% of operational SMBs using digital tools to sell goods and services, 49% to advertise, and 60% to communicate with customers. Usage of digital tools to communicate with customers was particularly high in Texas (70%), California (71%), and Virginia (76%).

Despite more SMBs in middle-income countries making changes as a result of the pandemic, they generally lagged behind high-income countries and territories in various reasons for using digital tools. The largest gaps were in communicating with customers (51% in middle-income countries vs. 60% in high-income countries) and coordinating or collaborating between employees (17% vs. 26%). For other categories, SMBs in middle-income countries lagged their counterparts in high-income countries and territories by 2 to 3 percentage points on average, with the exception being selling goods or services online.

In terms of digital tools used, many SMB leaders indicated that use of social media platforms was particularly common. Globally, 87% of business leaders at operational SMBs and 68% of US leaders indicated they used at least one of the Facebook family of applications (i.e., Facebook, Facebook Messenger, WhatsApp, WhatsApp Business, and Instagram).



26%

of SMBs globally reported that they had changed their utilisation of online tools



55%

of operational SMBs globally reported using digital tools to communicate with customers



On a global level, women-led SMBs were more likely to change at least one aspect of the way they do business in response to the pandemic. Two thirds (66%) indicated they had made at least one change, compared to 60% of SMBs led by men. In the US, the gap was even larger, with 70% of women-led SMBs making at least one change compared to 59% of men-led SMBs.

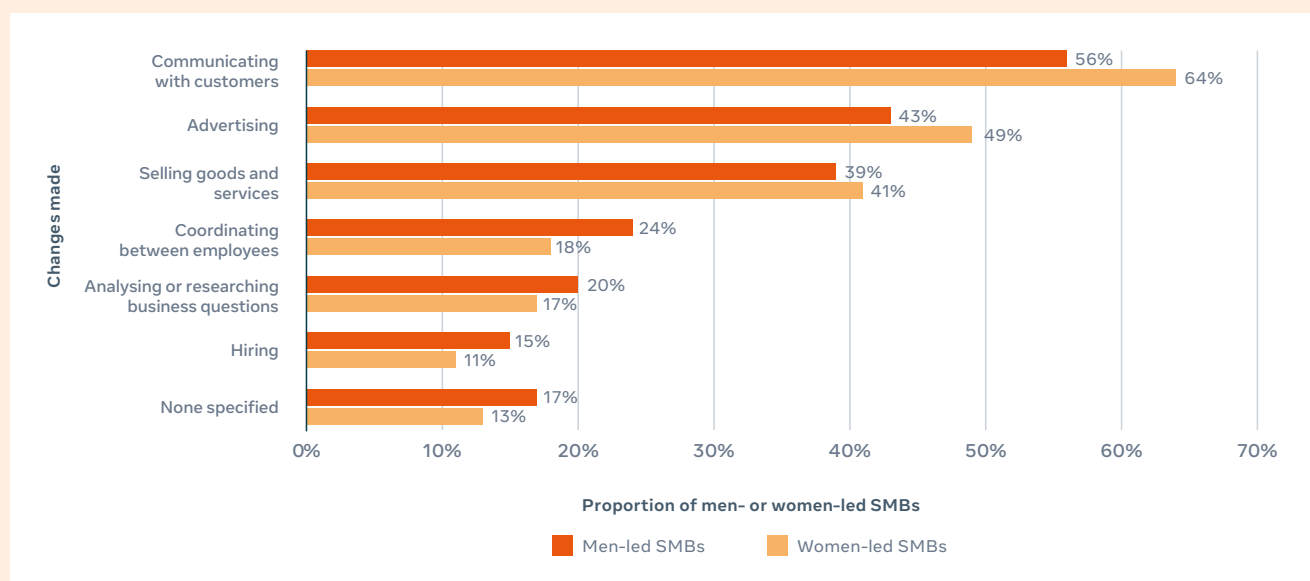
Women-led SMBs were also more likely to use digital tools for communicating with customers, advertising, and selling goods or services online.

On average, they were 5 percentage points more likely to use digital tools for these purposes. Communication with customers was the most common reason to use digital tools, with 64% of women-led SMBs globally reporting the use of digitalised customer communication. However, the gap was highest for advertising, with women-led SMBs 6 percentage points more likely than men-led SMBs to use digital tools.

# 66%

of women-led SMBs globally indicated they had changed at least one aspect of the way they do business in response to the pandemic

FIGURE 17: SMBs' reasons for using digital tools, by gender



### ...but SMBs in certain sectors were far more likely to use digital tools.

Across sectors, there were significant differences between leaders and laggards. All sectors reported that communication with customers was the most common reason to use digital tools. Only the construction sector had less than half of SMBs using digital tools for this purpose (48%), compared to 70% of ICT SMBs. The latter unsurprisingly led across most other usages of digital tools as well, with 50% reporting they used digital tools to advertise, 38% to coordinate or collaborate between employees, and 35% to analyse or research business questions. Only in hiring and in selling goods and services did other sectors have more SMBs using digital tools, with manufacturing (26% vs. 19%) and wholesale and retail (54% vs. 50%), respectively, at the top.

In the US, however, certain sectors were more likely to use digital tools. A large majority of operational SMBs in hospitality (60%) and wholesale and retail (57%) reported using digital tools for advertising. Wholesale and retail SMBs were also more significant leaders in use of digital tools to sell to customers, at 63% of operating SMBs, compared to 36% on average across other sectors.

### SMBs using digital tools were more likely to adapt to a remote sales environment, although remote work may still be less common for smaller businesses...

SMBs with more digital sales reported better performance, on average, than the rest of the businesses surveyed. This may be because they were better able to adapt to a remote sales environment and so were better able to meet customer demand. SMBs that earned 25% or more of their sales through digital means were more likely to have reported higher sales in the last month compared to less digitalised SMBs. Those same SMBs were also less likely to have reported a drop in sales, indicating potential for digital

sales to support SMBs' resilience to interventions that create business restrictions. In both global and US samples, SMBs with a higher share of digital sales were less likely to have reported a decline in sales performance.

In contrast, smaller SMBs were much less likely to report that their employees could work remotely. Only 34% of global SMBs and 38% of US SMBs stated that at least one quarter of their workforce could do most of their work remotely or from home. Larger SMBs, such as those between 50 to 99 employees and 100 to 250 employees, were more likely to indicate that this was possible, at 38% and 45%, respectively.

Consequently, only 17% of SMBs surveyed stated that they had made a change to remote work policies as a result of the pandemic. Unsurprisingly, this was more common in certain sectors, with 28% of SMBs in ICT (31% in the US) having adopted remote working policies. This was much lower in other sectors, with only US manufacturing SMBs reporting a similar rate of changing to remote work policies at 29%. This may suggest potential challenges for the smallest businesses if more employees expect remote working arrangements in the future. It may also mean that these businesses are left even further behind due to their inability to adopt the digital tools needed to enable remote work. This is because smaller businesses may be more likely to face challenges to adoption due to insufficient access to robust connectivity or lack of skills and resources to engage with the necessary digital transformations (Deloitte 2020b).



In both global and US samples, SMBs with a higher share of digital sales were less likely to have reported a decline in sales performance.







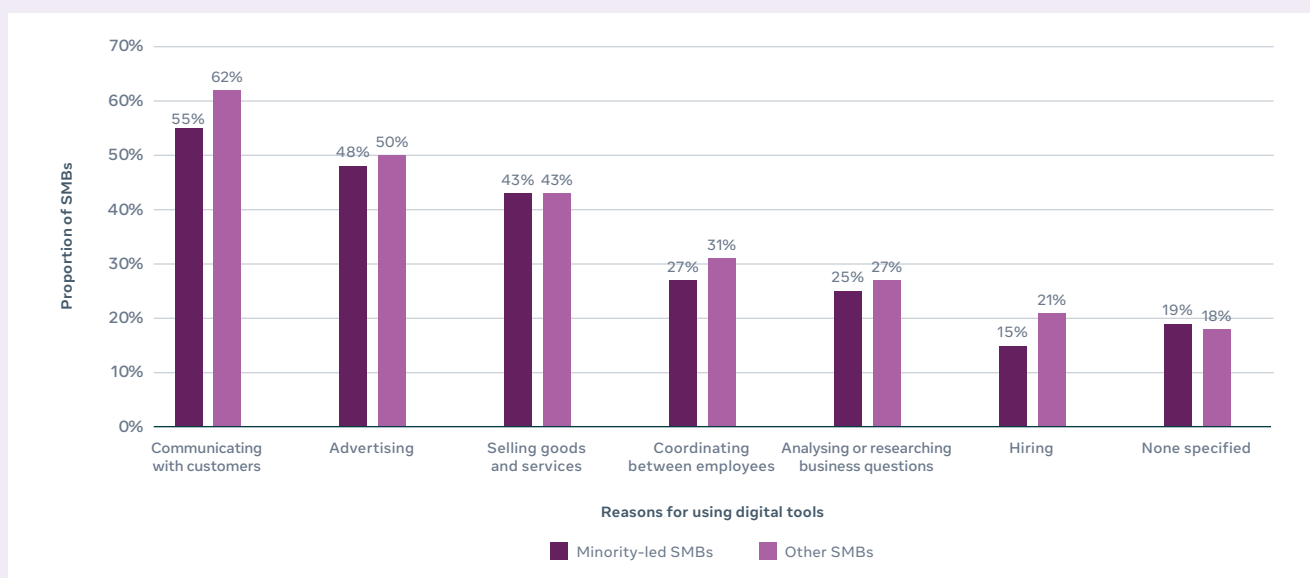
Digital tools appear to have become a bigger factor for minority-led SMBs in some respects, relative to other SMBs. Black-led (35%) and Asian-led (34%) SMBs were more likely to report having changed their advertising strategy as a result of COVID-19 compared to other SMBs (20%). This meant that, in total, Black-led SMBs were more likely generally to use digital tools for advertising, at 54% compared to 50% of other SMBs.

Digital sales also appear to be relatively more important for minority-led SMBs. In the past 30 days, 44% of minority-led SMBs had made at least one quarter of their sales digitally, compared to only 38% of other SMBs. The dependence on digital platforms was highest for Black-led SMBs, those indicating more than one race, and Hispanic-led SMBs, with 54%, 43%, and 41%, respectively, reporting that at least one quarter of their sales were made digitally.

# 44%

of US minority-led SMBs made at least a quarter of their sales digitally

FIGURE 18: SMBs' reasons for using digital tools in the US, for minority-led SMBs and other SMBs





Overall, the survey results suggest that to adapt to challenges raised by the pandemic, a large proportion of SMBs have made changes to the way they conduct their businesses.

Many SMBs reported implementing changes in the way they have, and will continue to, communicate with their customers and leverage digital tools. For some, this has enabled them to increase digital sales, increase trade, and reach more customers. However, in terms of remote work, smaller businesses in particular appear to lag, which may pose problems if worker expectations during the pandemic are embedded or are set by practices at larger businesses. This is because businesses less able to accommodate remote work may struggle to attract employees, particularly those who are the most skilled. As such, governments may need to consider whether these businesses require further support to implement digital technologies enabling remote work and ensure they are not left behind.

# 38%

of US SMBs stated that at least one quarter of their workforce could do most of their work remotely or from home



# Conclusion

This report has provided a look at the experiences of SMBs in early 2021, about a year from the start of the COVID-19 pandemic. The economic fallout from the pandemic continues for many of these businesses across the 27 countries and territories we surveyed, particularly for more vulnerable groups of SMBs.

At the start of 2021, SMB closure rates were high and had increased markedly since October to just under rates seen in May 2020, in almost all the countries and territories surveyed. For SMBs that remained operational, the current business climate has provided considerable challenges. The majority of SMBs reported poorer performance compared to January and February 2020 (just before the global spread of the pandemic) with lower sales, concerns over cash flow, and consequential employment impacts.

Women-led SMBs globally and minority-led SMBs in the US have been disproportionately impacted by the economic consequences of the pandemic. Both were more likely to report they were closed at the time of the survey, and even those able to remain open were more likely to report that sales had dropped. There were fewer gaps between women- and men-led SMBs on a global level in terms of employment reductions, but minority-led SMBs were much more likely than other SMBs to have potentially permanent employment losses.

Despite this, the year ahead may see a recovery for SMBs. This would aid the restoration of employment and help to provide an economic boost that mitigates risks of potential long-term economic and social scarring. In addition, many SMBs have adapted their ways of doing business in response to the pandemic, adopting digital tools to enable remote commerce.

This was particularly the case for SMBs in middle-income countries, with women-led SMBs and minority-led SMBs having made especially large gains in digital adoption. In some areas, they lead other SMBs in use of digital tools.

The ability of SMBs to reopen, remain open, and recover therefore depends on the speed of the recovery and the support available. Should current trends continue, governments will need to consider the potential longer-term implications of the pandemic. For example, a prolonged liquidity squeeze could create a wider risk of SMB closures and related macroeconomic impacts (Gourinchas et al. 2021). Governments may therefore need to pay special attention to SMBs' indebtedness and the support they offer these businesses, particularly as economies unlock and emergency support measures are wound down.

In this way, the data and information generated by this survey and report hopefully provide a valuable source of information for policymakers, increasing knowledge about the economic impacts of the COVID-19 pandemic. It is hoped that further research will serve to extend many of the insights developed in this report, including qualifying the drivers of gender differences between countries and the evident disparity in outcomes for minority and non-minority groups within the US. Finally, as economies enter recovery and the vaccine rollout extends further, it will be important to continue monitoring the state of small businesses and to highlight for policymakers any lingering impacts.



# Appendix

## Survey and Sampling

This report presents the findings of the 2021 Global State of Business Survey conducted over the period 29 January–9 February 2021. The sample for the survey was drawn from the population of Facebook users who had been active in the 28 days prior to the first day of survey fielding.

Users were sampled randomly subject to eligibility over the course of the fielding window. Users were allowed to respond to the survey only once and received no more than one invitation every 3 days during the fielding window. Invitations were displayed at the top of the Facebook News Feed. Upon opting in to take the survey, respondents were shown an introductory screen establishing the nature of the survey, planned uses for responses, and estimated time to complete the survey. No question required a response, and respondents were allowed to leave the survey at any time. Respondents were not compensated for their answers, nor were they directly incentivised or encouraged to complete the survey in any way.

Respondents were allowed to take the survey in a language of their choosing based on country.

Information about how to access the unweighted data and full survey methodology is available at: [dataforgood.fb.com/docs/state-of-small-business](https://dataforgood.fb.com/docs/state-of-small-business).

## Data Treatment

In the report, results for businesses are reported from answers collected from SMB Business Leaders, defined as respondents who identified themselves as owning and/or managing a business consisting of fewer than 250 employees. Statistics reported for the aggregate sample across countries take the average of all countries that meet the 100-respondent quota for a given question. Where statistics are reported by sector or business size, these were calculated using the whole sample, treating each respondent as an individual observation.

Although all available users were theoretically eligible to take the survey, the sample included an over-sampling of Facebook Page administrators for sampling efficiency. These responses were then re-weighted for non-response to mirror the base Facebook population in each country. See the table below for more information on survey sampling.

After accounting for eligibility and non-response, the survey captured the views of 36,354 SMB leaders across 27 countries and territories, including 18,434 SMB leaders in the US. The following tables show the sample distribution among business leaders, segmented by the global sample and the US only.

## Global Sample

**Table 1:** Countries and territories surveyed, including invitations, survey starts, response rates, and sample sizes of eligible respondents

Country or territory	Code	Region	Invitations	Starts	Response rate	Eligible respondents
Argentina	AR	Latin America	129,947	4,069	3.13	508
Australia	AU	East Asia and Pacific	231,906	4,066	1.75	855
Belgium	BE	Europe	202,001	3,194	1.58	346
Brazil	BR	Latin America	122,551	4,087	3.33	874
Colombia	CO	Latin America	127,291	4,072	3.20	504
Egypt	EG	Middle East and North Africa	102,597	4,102	4.00	693
France	FR	Europe	254,744	3,858	1.51	597
Germany	DE	Europe	189,921	4,093	2.16	635
India	IN	South Asia	138,431	4,067	2.94	898
Indonesia	ID	East Asia and Pacific	130,712	4,095	3.13	1,212
Ireland	IE	Europe	129,945	2,615	2.01	255
Israel	IL	Middle East and North Africa	170,953	3,364	1.97	591
Italy	IT	Europe	160,822	4,090	2.54	701
Mexico	MX	Latin America	112,037	4,072	3.63	704
Nigeria	NG	Sub-Saharan Africa	96,829	4,017	4.15	1,197
Pakistan	PK	South Asia	122,697	4,124	3.36	886
Philippines	PH	East Asia and Pacific	147,869	4,075	2.76	595
Poland	PL	Europe	200,274	4,150	2.07	673
Portugal	PT	Europe	144,147	4,141	2.87	598
Russia	RU	Europe	139,618	3,767	2.70	580
South Africa	ZA	Sub-Saharan Africa	85,534	3,976	4.65	689
Spain	ES	Europe	178,626	4,114	2.30	594
Taiwan	TW	East Asia and Pacific	249,133	4,086	1.64	613
Turkey	TR	Europe	156,230	4,136	2.65	896
United Kingdom	GB	Europe	149,114	4,163	2.79	766
United States	US	North America	4,584,796	80,807	1.76	18,434
Vietnam	VN	East Asia and Pacific	174,030	4,066	2.34	460
Total			8,632,755	183,466	2.13	36,354

**Table 2:** Summary statistics for the global sample

Summary statistics		Split across sample
Sector	Agriculture	6%
	Construction	11%
	Hospitality	9%
	ICT	6%
	Logistics	4%
	Manufacturing and utilities	3%
	Other services	42%
	Wholesale and retail	18%
Business size	Fewer than 10 employees	81%
	10–99 employees	16%
	100–249 employees	3%
Gender	Female	41%
	Male	59%



## US Sample

US survey data collection was done in partnership with the Small Business Roundtable.

**Table 3:** Sample size, across US states

State	Eligible respondents	State	Eligible respondents
Alabama	320	Nebraska	140
Alaska	50	Nevada	163
Arizona	402	New Hampshire	91
Arkansas	201	New Jersey	386
California	1,348	New Mexico	99
Colorado	453	New York	712
Connecticut	170	North Carolina	682
Delaware	51	North Dakota	51
Florida	1,446	Ohio	719
Georgia	645	Oklahoma	309
Hawaii	51	Oregon	302
Idaho	161	Pennsylvania	655
Illinois	626	Rhode Island	55
Indiana	428	South Carolina	326
Iowa	227	South Dakota	69
Kansas	198	Tennessee	487
Kentucky	268	Texas	1,723
Louisiana	250	Utah	179
Maine	105	Vermont	53
Maryland	298	Virginia	497
Massachusetts	303	Washington	503
Michigan	605	Washington, District of Columbia	45
Minnesota	305	West Virginia	90
Mississippi	150	Wisconsin	353
Missouri	511	Wyoming	55
Montana	109	Not stated	9
Total		18,434	

Table 4: Summary statistics for the US sample

Summary statistics		Split across sample
Sector	Agriculture	5%
	Construction	13%
	Hospitality	7%
	ICT	6%
	Logistics	4%
	Manufacturing and utilities	3%
	Other services	47%
	Wholesale and retail	15%
Business size	Fewer than 10 employees	79%
	10–99 employees	17%
	100–249 employees	3%
Gender	Female	52%
	Male	48%
Race or ethnicity	Asian	3%
	Black	9%
	Hispanic	10%
	Middle Eastern or North African	1%
	Native American	1%
	Other	2%
	Pacific Islander	<1%
	Selecting multiple races or ethnicities	10%
	White	62%



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# End Notes

- 1 Non-pharmaceutical interventions (NPIs) are actions and public health measures taken by governments, health authorities, communities, and individuals to reduce the spread and transmission of diseases. In the instance of COVID-19, measures may include the implementation of business restrictions, stay-at-home orders, social distancing measures, and the closure of social or work environments, for instance.
- 2 SMBs owned or managed by leaders identifying as Black, Hispanic, Asian, Native American, Other, or more than one race or ethnicity.
- 3 The previous Global State of Small Business series, fielded in 2020, surveyed SMBs, defined as businesses with fewer than 500 employees, in six waves between May and October 2020.
- 4 Based on data from the US Census Bureau, Annual Business Survey (ABS). Further information on the breakdown of businesses by industry, sex, ethnicity, and race is available at: <https://www.census.gov/data/tables/2019/econ/abs/2019-abs-company-summary.html>
- 5 Small and medium-sized business (SMBs) are defined within this report as businesses with fewer than 250 employees, in order to be more in line with common definitions used by organizations such as the European Commission and World Bank. It is also recognised that the definitions of SMBs used across countries, regions, and organizations may differ. For example, the European Commission classifies a small and medium-sized enterprise (SME) as an enterprise that employs fewer than 250 persons and has either an annual turnover not exceeding €50 million or an annual balance sheet total not exceeding €43 million. On the other hand, the International Finance Corporation (IFC) uses thresholds of 300 employees, turnover of less than \$15 million, and total assets also less than \$15 million to define a micro, small, or medium-sized enterprise (MSME). To be classified as an MSME, businesses must meet two of these three criteria.  
  
**These definitions are available at:**
  - European Commission: [https://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition\\_en](https://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en)
  - International Finance Corporation: [https://ieg.worldbankgroup.org/sites/default/files/Data/Evaluation/files/SME\\_Synthesis.pdf](https://ieg.worldbankgroup.org/sites/default/files/Data/Evaluation/files/SME_Synthesis.pdf)
- 6 Defined as businesses with employees whose owners define as any race and ethnicity combination other than non-Hispanic and White.
- 7 The Lockdown Stringency Index is a tracker of government responses to the COVID-19 pandemic provided by the University of Oxford (Hale et al. 2020). The index forms a composite measure tracking information on several COVID-19 policy responses, such as closing schools and restricting gatherings, that governments have implemented in response to the pandemic. The index therefore forms a measure of the stringency of COVID-19 response measures as well as the extent to which they have been enacted across countries and time. Further information can be found at <https://www.bsg.ox.ac.uk/research/research-projects/covid-19-government-response-tracker> and the methodology for constructing the index is available at [https://github.com/OxCGRT/covid-policy-tracker/blob/master/documentation/index\\_methodology.md](https://github.com/OxCGRT/covid-policy-tracker/blob/master/documentation/index_methodology.md)
- 8 The graph represents the average of monthly Lockdown Stringency Indices for the countries in the sample, by region, across time. For North America, this refers to the US only.
- 9 Data from Waves I and VI of the 2020 Global State of Small Business Report was re-estimated for SMBs with 250 employees or fewer to maintain comparability with the current sample. Therefore, statistics provided may vary slightly from those published within those reports.
- 10 Closures are defined as respondents who indicated that they were closed or not engaged in any revenue-generating activities (non-operational). This does not distinguish between SMBs that are permanently or temporarily closed.
- 11 This figure excludes SMBs in Ireland, which were not surveyed in the October 2020 (Wave VI) edition of the Global State of Small Business Report.
- 12 Businesses with no employees.
- 13 Data was not available for all countries.
- 14 As indicated by economic trackers on closures provided by Opportunity Insights and data sourced from Womply. Further information is available at: <https://tracktherecovery.org/>

# End Notes

- 15 Data was not available for all states.
- 16 ‘Other SMBs’ in this context were defined as SMBs owned or managed by business leaders identifying as White.
- 17 Data was not available for all states.
- 18 The Google Mobility Index compares the number and duration of visits by Google users (e.g., users of Google Maps) relative to a baseline. For the Retail and Recreation Mobility Indices, places of interest include restaurants, cafes, shopping centers, theme parks, museums, libraries, and movie theatres. The baseline selected is usually the median value for the corresponding weekday across 3 January–6 February to calculate an index score. Further information on the Google Mobility Reports can be found at: [https://www.google.com/covid19/mobility/data\\_documentation.html?hl=en](https://www.google.com/covid19/mobility/data_documentation.html?hl=en)
- 19 Operational SMBs were defined as businesses that indicated that they were not closed, or equivalently, open and engaging in revenue-generating activities. Businesses that were closed were excluded from responses from Section 2 onwards.
- 20 For estimates of the proportion of SMBs experiencing a drop in sales from the previous year, respondents indicating that they were unsure or were not in operation last year (i.e., in early 2020, prior to the spread of the COVID-19 pandemic) were excluded.
- 21 Data was not available for all countries.
- 22 Data was not available for all states.
- 23 Further information on the policy responses to COVID-19 across countries can be found at: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>
- 24 In reporting the proportion of SMBs that had reduced employment since the start of the COVID-19 pandemic, business leaders indicating that they did not know were removed from the responses.
- 25 This figure excludes SMBs in Ireland, which were not surveyed in the October 2020 (Wave VI) edition of the Global State of Small Business Report.
- 26 Reductions in employment under ‘other’ include a number of categories, including attrition, furloughs, and layoffs of fewer than 50% of employees.
- 27 Data was not available for all states.
- 28 Trendline was estimated excluding Nigeria, which was an outlier.



# Global State of Small Business

INSIGHTS INTO SMALL BUSINESSES IN EARLY 2021

MAIN REPORT

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**John Schneider, Ph.D.**

Economics and Policy Research

Demography and Survey Science

Facebook

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## Data for Good

Statistics from this survey can be found online through the [Humanitarian Data Exchange](#).

If you are interested in learning more about the survey, or becoming a Data for Good partner, please visit: [dataforgood.fb.com](https://dataforgood.fb.com).

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FACEBOOK

