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# Inclusive Growth through SME Competitiveness

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# What do SMEs and low-wage workers have in common?

- They are numerous
- Many low-wage workers are employed in SMEs
- They tend to have low bargaining power within a globalized economy

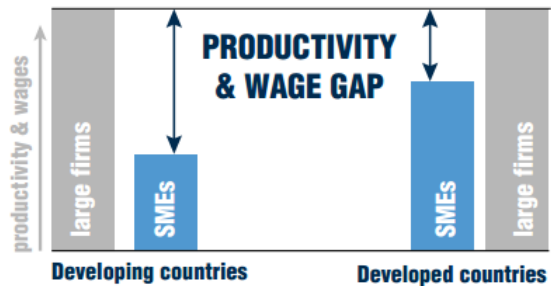
INFOGRAPHIC SMEs are the backbone of the global economy.



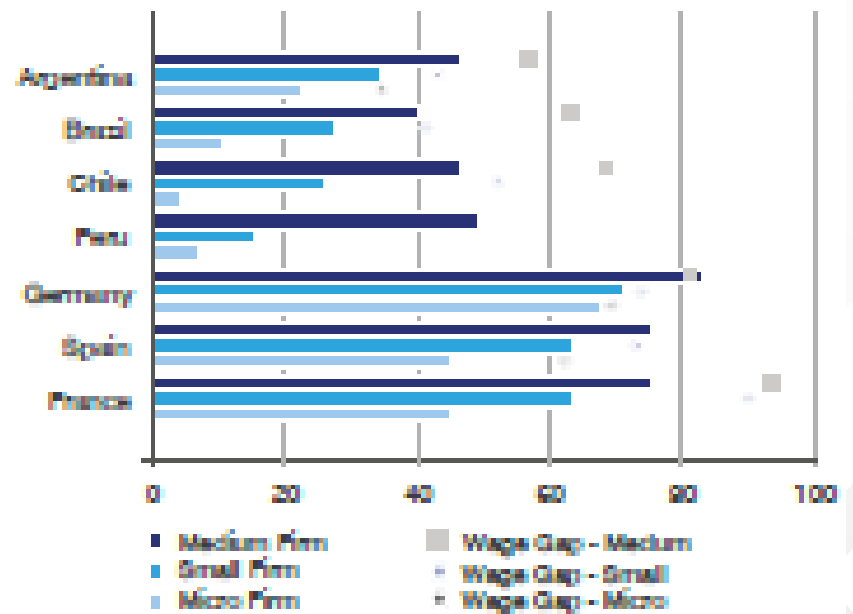
**“What matters for SMEs is likely to matter for your people”**

# Large productivity gaps between SMEs and large companies

**INFOGRAPHIC** The productivity and wage gap between small and large firms in developing countries is twice that of developed countries.



**FIGURE 8** Productivity and wage gaps in selected LAC and OECD countries (Large firms=100)



Source: OECD - ECLAC (2015).

# Good for growth, good for equity

Higher productivity for SMEs is likely to have two direct effects:

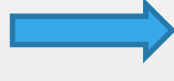
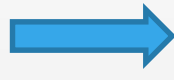
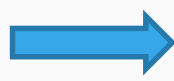
- Contributes to GDP growth
- higher wages in the low-wage segment of the economy

# What determines SME competitiveness?

## Pillars of competitiveness

examples

Layers of competitiveness



	Capacity to compete	Capacity to connect	Capacity to change
Firm level capabilities	Does firm know about quality control systems?	Does firm know how to use information tools (e.g. web)?	Does firm train workers?
Immediate business environment	Does firm have access to affordable certification bodies?	Does firm have access to support institutions (e.g. employer organization?)	Does the firm have access to skilled workers in region?
National environment	Is a national quality infrastructure in place?	Quality of telecommunication infrastructure	Is the education system good?

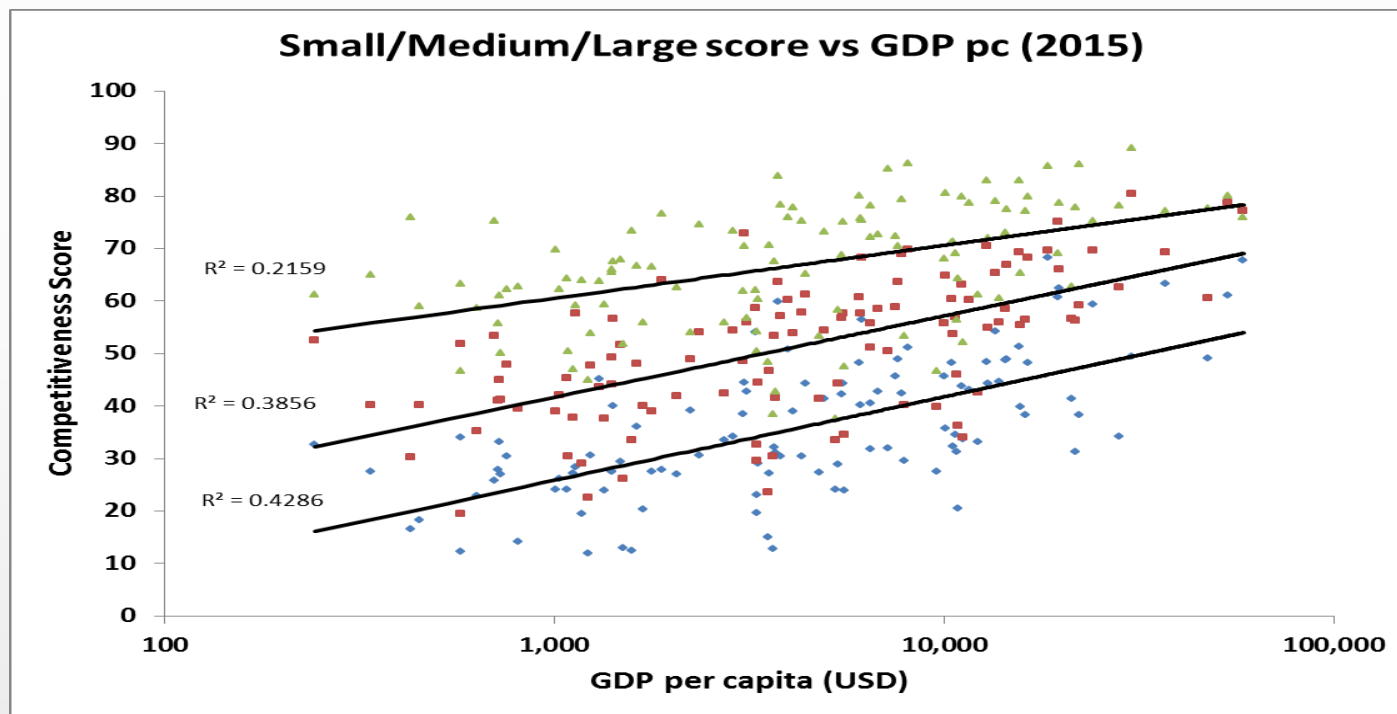


➤ In line with approaches to assess competitiveness used by others  
 ➤ But with stronger focus on the firm level and on the immediate business environment

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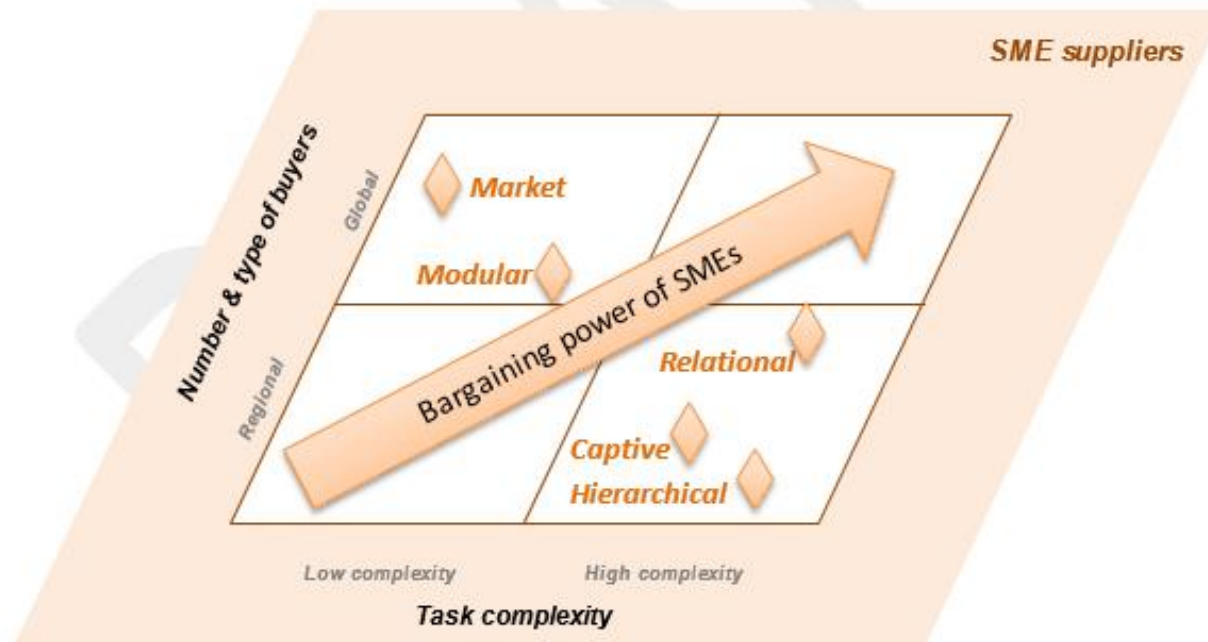
# Understanding of drivers of SME productivity:

## ITC SME Competitiveness score and GDP per capita



Source: SME Competitiveness Outlook 2016 using World Bank Enterprise Survey data

# Higher competitiveness => higher bargaining power



SME Competitiveness Outlook 2017

# SME competitiveness and living wages

- Do “more competitive” SMEs automatically pay higher wages?

⇒ The answer is probably no

- Is a certain level of “competitiveness” a precondition for the payment of higher wages?

=>The answer is likely to be yes



# 5 October 2017: launch of SME Competitiveness Outlook 2017 “The Region: a Door to Global Trade”

<http://www.intracen.org/smecompetitiveness/>



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