

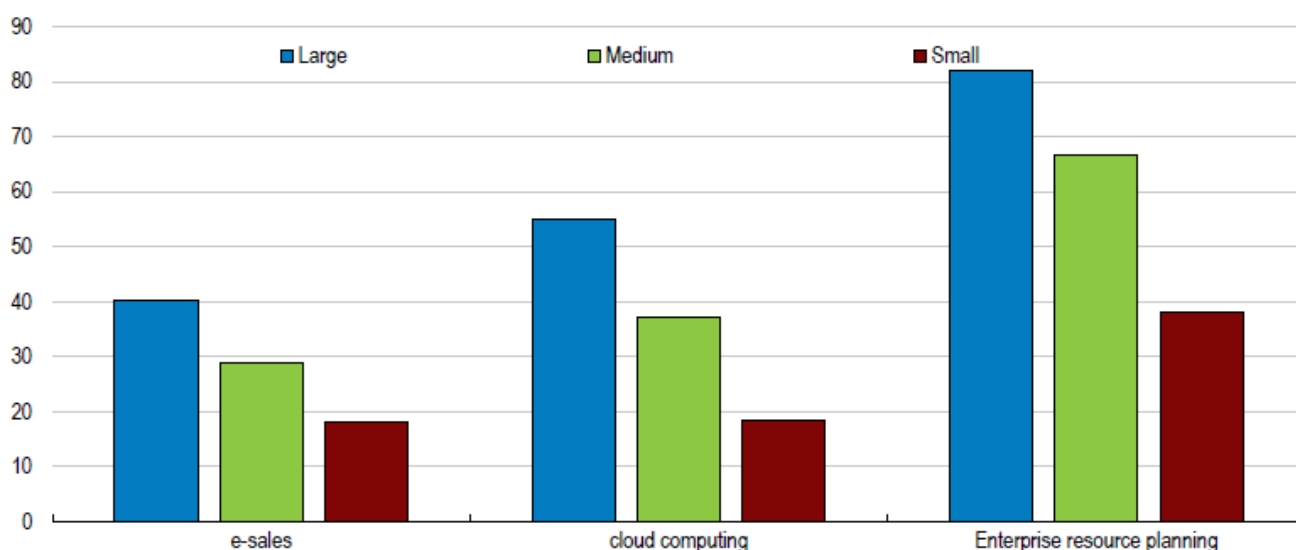
Enhancing digital diffusion for higher productivity growth in Spain

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Digitalisation is transforming the Spanish economy, changing the way firms operate, with positive implications for productivity. However, these changes are not evenly shared between high and low productivity firms, or small and large firms (Figure 1), which can help explain why aggregate productivity gains from digitalisation have been modest in Spain so far. Hence, Spain still has considerable scope to reap the benefits of the adoption of digital technologies and, perhaps more importantly, their effective use to produce new business models and products, as discussed in the *2021 Economic Survey of Spain* (OECD, 2021; Jin, 2021).

Figure 1. The adoption of digital technologies varies with firm size

Percentage of firms which adopt each technology, 2019



Note: “Small firms” stands for small enterprises with 10-49 employees, while “Large firms” stands for large enterprises

with 250 employees and more.

Source: OECD, ICT Access and Usage by Businesses (database).

The pandemic has shown the benefits of a more digitalised economy (e-commerce, teleworking) and accelerated the pace of digital adoption, with the extent of teleworking and digital sales increasing in Spain during the last year. The Spanish Recovery, Resilience and Transformation Plan allocates 29% of funds to digitalisation, which will help Spain achieve its ambitious objectives laid out in its national digital strategy, "Digital Spain 2025". In this context of the increasing importance of digitalisation in Spain, the Survey analyses the challenges and opportunities that digitalisation offers through three types of policies.

First, good communications infrastructure is a prerequisite to adopt and use digital technologies. This is an area where Spain ranks relatively well in international perspective, with a high share of fibre in total fixed broadband subscriptions and a relatively widespread internet usage. The coverage of fibre networks in rural areas is also well above that in other European countries (46% vs. 21%). Nonetheless, the digital divide between urban and rural areas in Spain remains, even if it has narrowed recently. Barriers to "rights of way" – permission to install necessary equipment – are high in some regions and municipalities, and should be reduced to lower deployment costs.

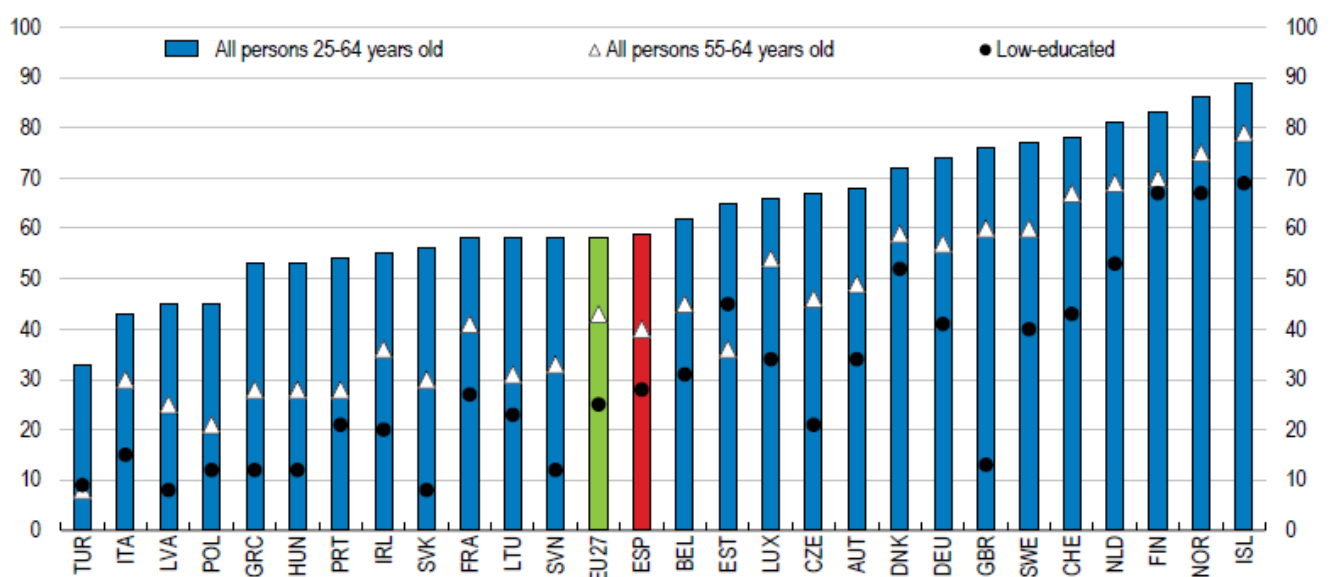
Second, there are complementary factors that are key to take full advantage of digitalisation. These include organisational capital and managerial skills, R&D and digital skills. There are important gaps in these areas in Spain. For example, business investment in intangible assets and R&D are relatively low. To boost innovation and reap the full benefits of digitalisation, the Survey recommends boosting partnerships between the public and the private sector, for example by enhancing the role of Technology Centres to increase cooperation between research institutes and SMEs,

which need to innovate and use digital technologies more.

There is also ample room to develop ICT skills, especially for low-educated and older people (Figure 2). Reducing the mismatch between the skills employers need and the qualifications of jobseekers should be a priority. This would help in particular low productivity firms and low-skilled people, making the benefits of digitalisation shared by all. Targeting training to those with lower digital skills and shifting financial incentives for lifelong training at least partially to training programmes chosen by individuals rather than employers would help achieve these outcomes.

Figure 2. There is room to develop digital skills

Percentage of respondents claiming to have basic digital skills, 2019



Source: Eurostat, Digital skills (database).

Finally, policies, which raise competitive pressures and sharpen incentives to better use digital technologies and better access to finance, can also enhance the diffusion of digital technologies. For example, the Survey recommends fostering the implementation of the Markey Unity Law to reduce regulatory differences across regions and facilitate the growth and entry of new firms and this way encourage the adoption of new technologies. It also recommends strengthening targeted support to new and high-potential firms through

public guarantee schemes. In addition to these policies, which facilitate the entry and expansion of innovative firms, it is also important to ensure the efficient exit of non-viable firms and restructuring of viable firms in temporary distress. An effective insolvency regime can help reduce the barriers and costs of firm restructuring or exit and facilitates technological experimentation. In this context, promoting out-of-court insolvency proceedings, especially for SMEs, is key.

References:

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