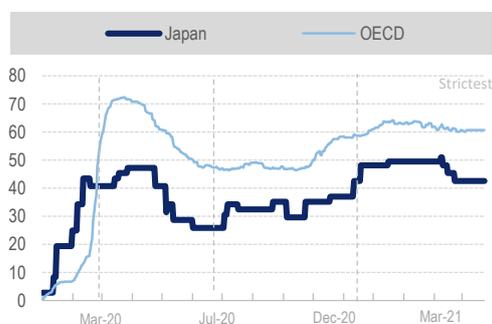


Japan

Figure 6.58. COVID-19 impact on business dynamics and policy responses in Japan

Stringency of government measures



Building on past experience in managing viral outbreaks, Japan has adopted less restrictive measures than other OECD countries.

Business dynamics



Firm creation has increased steadily in Japan in 2020, resulting in a +17.5% increase in firm entries as compared to 2019. Firm exits have been below 2019 records as well.

Policy spotlight

Key measures to support SME and entrepreneurs' liquidity include:

- **JPY 720 million Safety Net Loan Scheme and JPY 300 million Loan for Crisis Response** to support SMEs through low interest rate loans by governmental financial institutions.

- **Cash Grants for SMEs** (of up to JPY 2 million) for those seeing declines of 50% or more in year-on-year monthly revenue.

Structural measures have also been taken:

- **JPY 117 trillion Economic Stimulus Package** for the establishment of rent fee support benefits for SMEs.

- **JPY 430 billion (USD 4.1 billion) Package partly directed at SMEs**, including in particular subsidies to support teleworking, and encouraging SMEs to adopt IT solutions and develop e-commerce sales channels.

National SME and entrepreneurship policy framework

SME&E policies in Japan are defined as part of a multi-annual Action Plan.

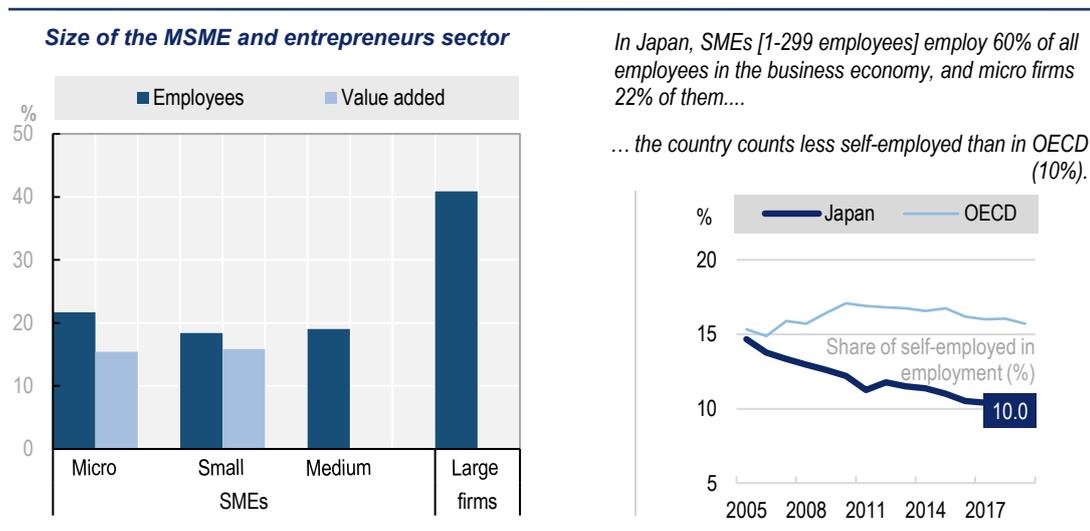
At national level, the **SME Agency**, under the Ministry for Economy, Trade and Industry (METI), executes and coordinates SME policy towards other actors. **SME Support Japan** and the **Regional SME Support Centres** deliver further support measures to small businesses, and wider SME support. METI and the local prefectures cooperate to ensure **vertical coherence of policy delivery**.

The SME Agency also prepares annual reports. Recently, the "**White Paper on SMEs in Japan**" (2020) stresses the importance of SMEs and small firms for value creation, also at regional level, and underlines differences in performance and objectives of SMEs, and the need for policy to take that into account. It also calls for further cooperation between SME support organisations.

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

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Figure 6.59. Factors of SME&E structural vulnerability in Japan



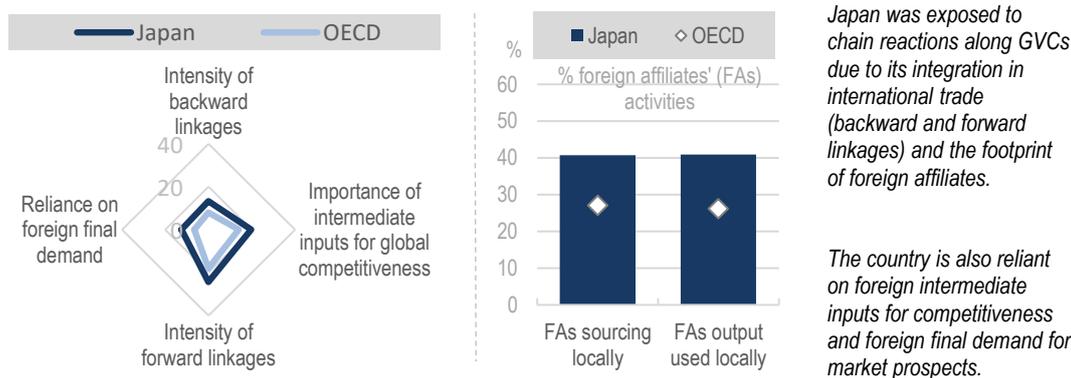
Economic exposure to lockdowns and business disruptions

Japan's GDP increased by 5.0% in Q3 2020, following a contraction of 8.2% in the previous quarter. Despite this being the highest quarterly growth on record since 1980, the level of GDP remains 4.3% lower than Q4 2019. The main contributors to growth came from increases of household consumption, government consumption and net exports. In particular, private consumption grew by 4.7%, driven by the rebound after confinement measures were relaxed and as a consequence of government support mainly raising consumption of services (especially restaurants, recreation and sports) and durable goods (notably cars). Government consumption increased by 2.2% due to policy support measures, including subsidies for traveling. Net exports accounted for a sizeable contribution to growth in the third quarter.

Okinawa, the most exposed region in the country, has about 38% of jobs at risk, especially due to the regional concentration of activities related to wholesale & retail trade, and accommodation & food services.

Before COVID-19, tourism accounted for 9.8% of total employment in Japan (OECD 6.7%).

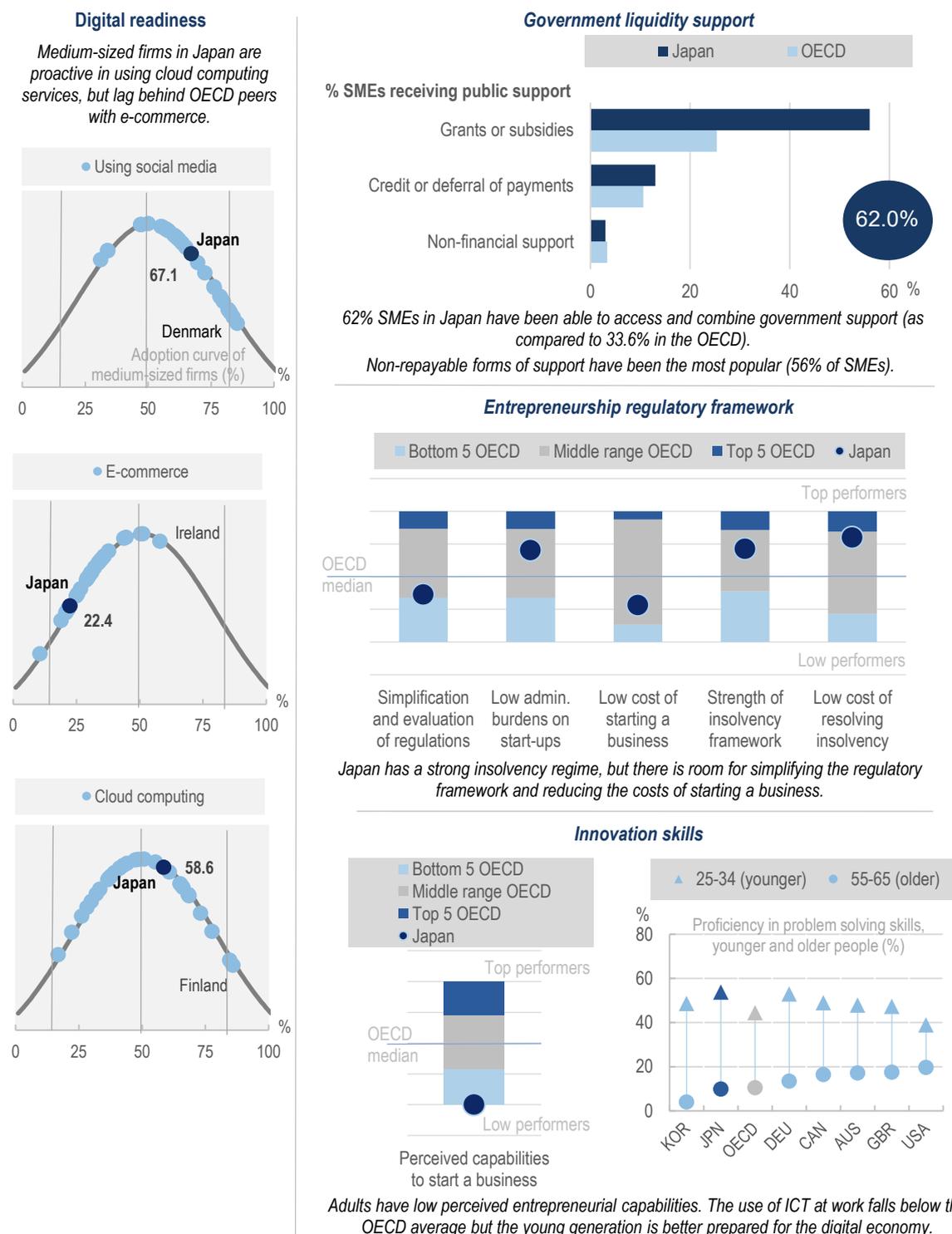
International trade and GVC exposure



Source: Size of the MSME sector (2016): OECD SME&E Outlook 2019; Share of self-employed (2005-19): OECD LFS database 2020; Most exposed sectors (2018): (OECD, 2020), based on OECD ANA data; most exposed regions (2017): OECD Regional Outlook 2021; Tourism employment (2018): OECD Tourism database 2021; GVC exposure (2015 or 2016): OECD TEC database 2021 and Analytical AMNE database 2017 (see country-specific references and definitions).

StatLink <https://doi.org/10.1787/888934251428>

Figure 6.60. Sources of SME&E resilience in Japan



Source: Social media (2019), e-commerce (2020), cloud computing (2020): OECD ICT Usage by Businesses database 2021; Liquidity support (2020): Facebook/OECD/World Bank FBS Survey 2020; Entrepreneurship regulatory framework (2018 and 2019): OECD PMR database 2018 and WB Doing Business 2020; Innovation skills (2019): GEM 2019 and OECD Skills Strategy for Japan (OECD, 2019) (see country-specific references and definitions).

StatLink <https://doi.org/10.1787/888934251447>

Country notes

- Tourism statistics refer to 2018 instead of 2019.
- Structural business statistics come from the OECD SMEs and Entrepreneurship Outlook 2019 and refer to 2016.
- Data on digital uptake refer to medium-sized firms, unlike other country profiles where they refer to small firms. Data for Japan are for 2019 for cloud computing and 2018 for e-commerce and social media (instead of 2019).
- PIAAC data on problem solving skills come from the OECD Skills Strategy for Japan (OECD, 2019).

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Annex A. Sources and definitions of benchmarking indicators

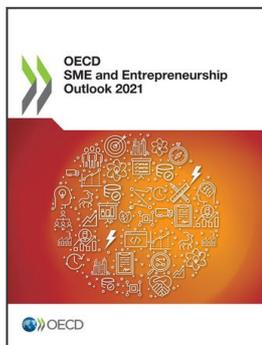
COVID-19 impact			
Stringency of government measures	Oxford Government Stringency Index	Government response stringency index, as a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100 = strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region. Country values from January 2020 to April 2021.	https://ourworldindata.org/grapher/covid-stringency-index
Business dynamics	Firm entries (%)	New enterprise creation January 2020-March 2021, year-on-year difference and cumulative year-on-year difference as a %. For the definition of enterprise creation, see methodology in primary source.	OECD Timely Indicators of Entrepreneurship (TIE) database
	Firm exits (%)	Bankruptcies, January 2020-March 2021, year-on-year difference and cumulative year-on-year difference as a %. For the definition of bankruptcies, see methodology in primary source.	OECD Timely Indicators of Entrepreneurship (TIE) database
Factors of vulnerability			
Size of the SME&E sector	Share of SMEs in total employment (%)	Employment by enterprise size as a percentage of all persons employed in business economy. Micro firms include firms with 1-9 persons employed; small firms: 10-49 persons employed; medium-sized firms: 50-249 persons employed; and large firms: more than 250 persons employed. Data refer to 2018 or latest year available.	OECD Structural and Demographic Business Statistics database (SDBS)
	Share of SMEs in total value added (%)	Value added by enterprise size as a percentage of total business economy value added. Micro firms include firms with 1-9 persons employed; small firms: 10-49 persons employed; medium-sized firms: 50-249 persons employed; and large firms: more than 250 persons employed. Data refer to 2018 or latest year available.	OECD Structural and Demographic Business Statistics database (SDBS)
	Share of self-employed in total employment (%)	Self-employment is defined as the employment of employers, workers who work for themselves, members of producers' co-operatives, and unpaid family workers. It is expressed as a percentage of total employment. Trends between 2005 and 2019.	OECD Annual Labour Force Statistics database
Economic exposure to lockdowns and business disruptions	Most affected sectors, share in total employment (%)	The most affected sectors by COVID-19 containment measures, share of total employment (%), 2018 or latest year available.	OECD Statistical Insights: Small, Medium and Vulnerable (2020) , calculations based on OECD Annual National Accounts database.
	The region most at risk	Regions with the highest share of jobs at risk by country, TL2 regions, 2017.	OECD (2021), Regional Outlook 2021 based on OECD Job Creation and Local Economic Development 2020: Rebuilding Better OECD Tourism database
	Direct contribution of tourism in total employment (%)	Tourism as a % of total employment, 2019 or latest year available.	OECD Tourism database
International trade and GVC exposure	SMEs as exporters (%)	Share of SMEs in trade value, exports, 2015 or latest year available	OECD Trade by Enterprise Characteristics database
	SMEs as importers (%)	Share of SMEs in trade value, imports, 2015 or latest year available	OECD Trade by Enterprise Characteristics database

	SME exporters in long GVCs (%)	Share of SMEs in trade value, exports, long GVCs, 2015 or latest year available	Calculations based on OECD Trade by Enterprise Characteristics database
	SME importers in long GVCs (%)	Share of SMEs in trade value, imports, long GVCs, 2015 or latest year available	Calculations based on OECD Trade by Enterprise Characteristics database
	Foreign affiliates (FAs) sourcing locally (%)	Sourcing structure of foreign affiliates, percentage of foreign affiliates' sourcing that comes from domestic multinationals (MNEs) and non-MNEs, total economy, 2016.	OECD Analytical AMNE database
	FAs output used locally (%)	Output use of foreign affiliates, as a percentage of the output of foreign affiliates that is used by domestic MNEs and non-MNEs for intermediary consumption, total economy, 2016	OECD Analytical AMNE database

Sources of resilience

Digital readiness	Broadband connection (%)	Percentage of small businesses [10-49] with a broadband download speed at least 100 Mbit/s (%). All activities in manufacturing and non-financial market services. Data refer to 2020 or latest year available. Distribution along a stylised curve of adoption (OECD, 2021).	OECD ICT Access and Usage by Businesses and OECD (2021), The Digital Transformation of SMEs .
	Use of social media (%)	Percentage of small businesses [10-49] using social media (%). All activities in manufacturing and non-financial market services. Data refer to 2020 or latest year available. Distribution along a stylised curve of adoption (OECD, 2021).	OECD ICT Access and Usage by Businesses and OECD (2021), The Digital Transformation of SMEs
	E-commerce (%)	Percentage of small businesses [10-49] receiving orders over computer networks (%). All activities in manufacturing and non-financial market services. Data refer to 2019 or latest year available. Distribution along a stylised curve of adoption (OECD, 2021).	OECD ICT Access and Usage by Businesses and OECD (2021), The Digital Transformation of SMEs
	Cloud computing (%)	Percentage of small businesses [10-49] purchasing cloud computing services (%). All activities in manufacturing and non-financial market services. Data refer to 2020 or latest year available. Distribution along a stylised curve of adoption (OECD, 2021).	OECD ICT Access and Usage by Businesses and OECD (2021), The Digital Transformation of SMEs
Cash reserves	SME profit, as a share of production (%)	Gross operating surplus of firms with less than 250 employees as a percentage of their production. Industry (excluding construction) only. Data refer to 2018 or latest year available.	OECD Structural and Demographic Business Statistics database (SDBS)
Liquidity support	SMEs receiving government support, total (%)	Percentage of SMEs with a Facebook page that received government support, December 2020	Facebook/OECD/World Bank (2020), Future of Business Survey
	SMEs receiving grants and subsidies (%)	Percentage of SMEs with a Facebook page that received government support in the form of grants or subsidies, December 2020	Facebook/OECD/World Bank (2020), Future of Business Survey
	SMEs receiving credits and deferrals (%)	Percentage of SMEs with a Facebook page that received government support in the form of credit or deferral of payments, December 2020	Facebook/OECD/World Bank (2020), Future of Business Survey
	SMEs receiving non-financial support (%)	Percentage of SMEs with a Facebook page that received non-financial government support (e.g. information, technical assistance or advisory services), December 2020	Facebook/OECD/World Bank (2020), Future of Business Survey
Entrepreneurship regulatory framework	Simplification and evaluation of regulations (index)	Composite index that captures the government's communication strategy and efforts to reduce and simplify the administrative burden of interacting with the government, including impact assessment on competition, interaction with interest groups and the complexity of regulatory procedures. Scores from 0 - least restrictive - to 6 - most restrictive. Data refer to 2018.	OECD Product Market Regulation Indicators
	Low administrative burdens on start-ups (index)	Component of the composite index "Barriers to domestic and foreign entry". Covers the administrative burden on joint-stock companies and personally-owned enterprises, as well as administrative burden related to licenses and permits procedures. Scores from 0 - least restrictive - to 6 - most restrictive. The indicator is treated as a potential barrier to SME performance and country benchmark has been reversed (the higher the index performance is, the lower the administrative burdens are). Data refer to 2018.	OECD Product Market Regulation Indicators

	Low cost of starting a business (in % of income per capita)	Captures the cost (in % of income per capita) for starting a business, registering property and to prepare, file and pay taxes. The indicator is treated as a potential barrier to SME performance and country benchmark has been reversed (the higher the index performance is, the lower the cost). Data refer to 2019.	World Bank Doing Business 2020 – Starting a business
	Strength of insolvency framework (index)	Measures the insolvency law de jure. Calculated as the sum of the scores on 4 other indices: i) commencement of proceedings index (with a range of 0–3), ii) management of debtor’s assets index (0–6), iii) reorganization proceedings index (0–3) and iv) creditor participation index (0–4). The strength of insolvency framework index ranges from 0 to 16, with higher values indicating insolvency legislation that is better designed for the rehabilitation of viable firms and the liquidation of nonviable ones. Data refer to 2019.	World Bank Doing Business 2020 – Resolving insolvency
	Low cost of resolving insolvency	Resolving insolvency (cost, % of estate). Indicator on the actual cost (in % of estate) to close a business. The indicator is treated as a potential barrier to SME performance and country benchmark has been reversed ((the higher the index performance is, the lower the cost). Data refer to 2019.	World Bank Doing Business 2020 - Resolving insolvency
Innovation skills	Perceived capabilities to start a business (%)	Perceived entrepreneurial capabilities among adult population (%), as a percentage of 18-64 population (individuals involved in any stage of entrepreneurial activity excluded) who believe they have the required skills and knowledge to start a business. Scoring from 0 (low) to 100 (high). Data refer to 2019 or latest year available.	Global Entrepreneurship Monitor (GEM) - Adult Population Survey
	Computer and electronics skills	Skills shortage or surplus of computer and electronics skills, i.e. knowledge of circuit boards, processors, chips, electronic equipment, and computer hardware and software, including applications and programming. Positive values indicate skill shortage while negative values point to skill surplus. The larger the absolute value, the larger the imbalance. Results are available on a scale that ranges between -1 and +1. The indicator is treated as a potential barrier to SME performance and country benchmark has been reversed ((the higher the index performance is, the lower the imbalance in skills use and availability in the country). Data refer to 2015.	OECD Skills for Jobs Database
	Adaptability/ flexibility skills	Skills shortage or surplus of adaptability/flexibility skills. Positive values indicate skill shortage while negative values point to skill surplus. The larger the absolute value, the larger the imbalance. Results are available on a scale that ranges between -1 and +1. The indicator is treated as a potential barrier to SME performance and country benchmark has been reversed ((the higher the index performance is, the lower the imbalance in skills use and availability in the country). Data refer to 2015.	OECD Skills for Jobs Database
	Complex problem solving skills	Skills shortage or surplus of complex problem solving, i.e. developed capacities used to solve novel, ill-defined problems in complex, real-world settings. Positive values indicate skill shortage while negative values point to skill surplus. The larger the absolute value, the larger the imbalance. Results are available on a scale that ranges between -1 and +1. The indicator is treated as a potential barrier to SME performance and country benchmark has been reversed ((the higher the index performance is, the lower the imbalance in skills use and availability in the country). Data refer to 2015.	OECD Skills for Jobs Database
	Practical intelligence for innovation	Skills shortage or surplus of practical intelligence for innovation (workstyle). Positive values indicate skill shortage while negative values point to skill surplus. The larger the absolute value, the larger the imbalance. Results are available on a scale that ranges between -1 and +1. The indicator is treated as a potential barrier to SME performance and country benchmark has been reversed ((the higher the index performance is, the lower the imbalance in skills use and availability in the country). Data refer to 2015.	OECD Skills for Jobs Database



From:
OECD SME and Entrepreneurship Outlook 2021

Access the complete publication at:

<https://doi.org/10.1787/97a5bbfe-en>

Please cite this chapter as:

OECD (2021), "Country Profiles", in *OECD SME and Entrepreneurship Outlook 2021*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/1fd332c9-en>

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