Relational skills for horizontal solidarity in Japan: Unique relational development in co-production among social economy, for-profit, and governmental organizations

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Abstract

Social economy enterprises in Japan have long been expected to be a primary contributor to the empowerment of public and social general interest service provision in the process of renewing the welfare system. European models of the collaboration between social economy organizations and public authorities under independent citizenship participation have been the ideal model for Japanese social economy organizations in the public policy sphere. However, such organizations have not yet attained a fully co-productive role in public policy in Japan. This paper investigates the current and future positioning of the social economy organizations in the Japanese public policy for social service provision.

One reason for the lack of co-productive role is the government-designed, top down, institutionalized nonprofit social welfare service provision system in Japan. In this paper, we will examine a Japanese government-designed social welfare system, particularly the nonprofit organizations classified as “social welfare councils” and “social welfare corporations.” These organizations are a typical example of the Japanese “associative democracy” in the social general interest service provision under the guidance of public authorities.

Second, although work incentives are very high through democratic governance in each organization, Japanese social economy organizations are not well-coordinated as far as social capital within individual organizations are concerned. This tendency is exhibited not only in such organizations’ relationship with those in other sectors, for-profit organizations, and local governments but also with other social economy organizations.

This paper begins with a review of the findings of Suda (2011), which showed isomorphism between for-profit and nonprofit organizations in contrast to European findings, and then conducts an institutional investigation into the environment surrounding Japanese social economy organizations. This paper discovers the importance of promoting relational skills among public authorities, for-profit organizations, and social economy organizations in public policy regarding social general interest service provision in Japan. Furthermore, it discovers the importance of skill point of view in reorganizing Japanese social general interest service provision through social economy organizations in the public policy sphere.

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1. INTRODUCTION TO SOCIAL ECONOMY ORGANIZATIONS AND PUBLIC POLICY IN JAPAN

Social economy organizations in Japan have long been expected to be primary contributors to the empowerment of public and social general interest service provision in the process of renewing the welfare system. European models of collaboration between social economy organizations and public authorities under independent citizenship participation have been the ideal model for Japanese social economy organizations in the public policy sphere. However, such organizations have not yet attained a successful co-production\(^1\) in public policy in Japan.

Before examining the concept of social economy in Japan, we first refer to the complexity of the concept, which Buchard (2009) remarked: “Indeed, the social economy consists of various legal statuses, broad spectrum of economic activities (in the primary, secondary and tertiary sectors) and diverse social missions (either of mutual or of general interest), etc.”

According to Buchard (2009), the forms of organization adopted by social economy enterprises are sometimes formally recognized by special legal frameworks (e.g., laws on cooperatives, associations, nonprofit organizations, mutual societies, and foundations) correspond to organizational practices that occur within a general legal framework and include certain informal associations.

On the basis of the above descriptions of social economy, we categorize the social economy in Japan into the following entities:

- cooperatives (under one-by-one-legislative institution);
- workers cooperatives’ and collectives;
- nonprofit organizations, which can be further classified into specified nonprofit corporations, public interest corporations (civil code corporations), and social welfare corporations;
- social enterprises; and
- community businesses.

In identifying the Japanese counterparts for various types of European social economy organizations, we must note that the most distinguishable feature of the Japanese social economy has, in some parts, top–down, institutionalized structure under the Japanese welfare policy. In other words, a considerable part of Japanese nonprofit organizations are top-down institutionalized “social welfare corporations” accepting favorable tax and subsidiary treatment under the current law system. In contrast, newly legalized “specified nonprofit corporations”, “public interest legal persons” and for-profit social enterprises, those are not government institutionalized, cannot expect the same favorable as social welfare corporations.

1.1. Social welfare corporation and social welfare council under governmental commitment—starting point for understanding public policy and social economy in Japan

The Japanese government has a long history of involving citizens in welfare policy, albeit not according to the European definition of social economy organizations. In particular, the Japanese government has been involving citizens in social welfare service provision through top-down, institutionalized, nonprofit intermediary organizations and nonprofit welfare service providers. “Social welfare corporations” are not a grassroots democratic organizations, but government–designed,

\(^1\) Co-production can be defined, according to Pestoff (2008), “The mix of activities that both public service agents and citizens contribute to the provision of public services. The former are involved as professionals or ‘regular producers’, while ‘citizen production’ is based on voluntary efforts by individuals or groups to enhance the quality and/or quantity of services they use.”
nonprofit, civil society organizations substantially under governmental control and with a favorable
status for governmental financial support.

Estévez-Abe (2003) describes this top–down, institutionalized, welfare service provision system by
comparing it with the Japanese industrial policy:

In contrast to industrial policy, social welfare policy involves individual citizens more directly.
Individual citizens and intermediate associations have played an important role in the making and
implementation of social welfare policy just as businesses and their associations have in Japan’s
industrial policy.

The traditional state–society partnership in social welfare policy is controlled by the Ministry of
Economy, Trade and Industry (METI), while state–society partnerships in industrial policy are

Estévez-Abe (2003) identifies three similarities between the two policies: 1) Both choose counterparts
among societal organizations that are organized authoritatively; 2) both regulate associational
activities by deciding which organization can be classified as a public interest corporation and receive
relevant tax benefits; and 3) in the case of both policies, despite the term “public interest
corporation,” bureaucrats appear to favor societal groups that represent specific sectoral interests.
Ironically, this implies that societal groups with strong vested interests in public policy are better
represented than groups that pursue a public interest that is not necessarily linked to their sectoral
interests.

Regarding 1), Estévez-Abe (2003) makes some important remarks, especially for social welfare
services, which is an important area of policy for social economy in Japan:

In short, for most of the postwar period, local governments decide who participated in the policy
process and who subcontracted public services. Administrative partnerships were three-tiered.
Welfare commissioners took care of means testing and monitoring abuse of public services. Social
welfare corporations built welfare facilities such as nursing homes and child daycare centers to offer
in-facility services. Finally, social welfare councils, whose members included both welfare
commissioners and social welfare councils, served as representative and consultative organs in which
public-service subcontractors joined public officials to share views on social welfare policy.

The government-institutionalized social welfare corporations and councils played important roles in
creating and maintaining the support network for the recovery of several areas affected by the Great
East Japan Earthquake on March 11, 2011. Because the level of embeddedness of social welfare
councils in local policy is larger in the rural than in urban areas, the latter have more opportunities
for establishing new organizations for social services.

1.2. Cooperative sector divided by one-by-one legislative institutions

The Japanese Consumers’ Co-operative Union (JCUU) differentiates between cooperatives and
private companies as follows:

The major difference between co-ops and private companies is the corporate structure and the
manner of operation. The decision-making body of a company is the general shareholders’ meeting.
At the meeting, shareholders are given one vote per one stock. The intent of a shareholder who has
many shares (capitals) controls a company’s policy. Those stocks are sold and bought in stock
markets. Anybody who has money can be a shareholder of a company. Compared with companies,
the decision-making body of [a] co-op is the general assembly (representative meeting).

Kurimoto (2011), a senior adviser of the JCCU, describes the different types of cooperatives (“co-
ops”) as follows:
Co-operatives have been divided by separate laws and supervising ministries. Agricultural co-ops had been promoted as agents for implementing agricultural policy, protected from competition and given a wide range of support by the government. They were seen as combination of government’s subcontractors, pressure groups and co-ops per se. In contrast, consumer co-ops had been handicapped by strict restrictions including complete prohibition of non-member trade and inter-prefectural trade, which were introduced under the pressure of small retailers.

Further, Kurimoto stated that protectionist policies had affected agricultural and consumer co-ops differently, contributing to the distinctive organizational culture and political affiliation of each type of co-op. Meanwhile, workers’ co-ops lack legal recognition despite campaigning for decades. Furthermore, co-ops are compartmentalized on the basis of industrial policies. Currently, there are neither comprehensive statistics covering the various types of co-ops nor a coordinating body that represents the entire co-operative sector.

1.3. Specified nonprofit corporation (known locally as NPO houjin) as a new contributor in Japanese social economy

After the Great Hanshin-Awaji Earthquake in 1995, NPOs emerged, namely the specified nonprofit corporation.

In Japan, the term NPO is defined differently owing to the country’s unique institutions. In particular, NPOs refer to three definitions, as shown in Figure 1.

![Figure 1: Three definitions of nonprofit organizations](image)

Currently, in Japan, the term NPO often corresponds to the legal body “specified nonprofit corporation or (A),” which were formally recognized in 1998 after the enforcement of the “Law to Promote Specified Nonprofit Activities.” In Japan, this is the primary definition of an NPO, because the NPO law emerged from the civil movement for rescue and recovery after the Great Hanshin-Awaji Earthquake.

Meanwhile, civil society activities (B) have been active since the early 1990s in Japan, contributing mainly to causes such as the conservation of the environment, promotion of community development, and gender equality. This category of nonprofit includes organizations without any legal bodies.
NPOs in the general sense (C) are the broadest definition and correspond to Lester Salamon’s “The Johns Hopkins Comparative Nonprofit Sector Project” initiated in the 1980s. This project promoted the worldwide recognition of nonprofit activities from citizen initiatives all over the world.

Kurimoto (2011) described the emergence of the specified nonprofit corporation (known locally as NPO houjin) as follows:

In 1998, the Act to Promote Specified Nonprofit Activities or NPO Act was enacted to give nonprofit organizations the legal recognition. This was in part a result of exploded volunteer activities following the Kobe Earthquake in 1995, which took more than six thousand lives. More than a million volunteers came to help victims of the quake and played a vital role in the process of acute rescue and rehabilitation process when bureaucracy proved its ineffectiveness in organizing such operations. However it was keenly felt such voluntary efforts were hampered by the lack of legal back up.

1.4. New concept of public service

For the first time, the Japanese government, under Prime Minister Yukio Hatoyama, proposed a new partnership for public social services. This partnership aimed to create a new undertaker of public and social services. Then former Prime Minister Hatoyama described his “new concept of public service” as follows:

What I am seeking is a “new concept of public service” under which people support and are of service to each other. It consists of a new set of values that sees the supporting role being played not just by people in the bureaucracy but also by each person in local communities who is involved in such activities as education or child-rearing, community-building, crime and disaster prevention, medical care and welfare. Such efforts ought to be supported by society as a whole. Building a new nation is certainly not a matter that can be consigned to others. Neither can all problems be resolved merely through political or administrative efforts to increase the budget. Only by having each individual citizen foster and develop the ideal of self-support and co-existence can we revive the bonds within society and recover the relationships of trust among people. (Prime Minister policy speech, Oct 26. 2010)

The compatibility of quality of social services and satisfaction of the social service workers could not be accomplished without considering the relationship between individuals and the public in Japan. The most crucial point to know before considering the future possibility of the Japanese social economy organizations and public policy is the apparent difference in the recognition of the “public” between Europe and Japan.

European people view “public” as consisting of ordinary citizens, as can be seen from the following definitions from an the Longman Contemporary Dictionary:

“Public” (n.)
Ordinary people who do not work for the government or have any special position in society

“Public” (adj.)
Relating to ordinary people who do not work for the government or do not have important jobs Relating to the government and the services it provides for people

Meanwhile, the Japanese definition of “public” is almost opposite that of the Europeans. For example, the words “kou” and “koukyo,” which are the closest counterparts of “public,” are defined in the Koujien Japanese Dictionary as follows:
“Kou”
1) The imperial court, government office, nation, official
2) Society, the real world, ostensibly
3) Lord, master, nobleman

“Kouyou”
Official, society in general,

This could lead to the passive attitude toward the public policy among Japanese people, and would cause some hazardous obstacle to enhance the co-production between ordinary citizens and public authorities in Japan.

2. NETWORKING STRUCTURE OF CROSS SECTOR CO-PRODUCTION

In this section, we will analyze the governance and network problems of social economy organizations that provide social services, particularly the multi-stakeholder problems among such organizations, for-profit enterprises, and local governments. In addition, we will look into the uniqueness of Japanese social economy organizations and their similarities with their counterparts in Europe, based on empirical research on work incentives, human capital, social capital, and independent citizenship among diverse legal status and ownership of organizations for providing social services.

Although work incentives are very high in Japanese social economy organizations owing to their democratic governance, they are not well-coordinated as far as inter-organizational social capital is concerned. This problem is found not only in their relationship with those in other sectors, for-profit organizations, and local governments, but also with fellow social economy organizations. Here, we will verify the inverse relationship between work incentives and social capital networks.

By analyzing in this paper, we can describe workers in the Japanese social economy as highly motivated in their organizations and effectively providing quality services. However, social economy organizations in Japan have weak financial and human resource foundations compared to their counterparts in Europe. Furthermore, networking among third sector organizations and local governments has several difficulties in utilizing and coordinating resources in the region, including financial resources, human resources, social capital, and citizenship initiatives.

In contrast, Japanese employment systems in for-profit enterprises have changed significantly since the 1990s. As far as the labor incentive is concerned, the introduction of a performance-based wage system in these enterprises negatively affected work incentives, causing considerable lack of cooperation and loyalty among employees. Meanwhile, workers and officers in the government sector are losing trust and confidence in their workplaces and of the local citizens.

The urgency to enhance cross-sectoral cooperation among social economy organizations, for-profit enterprises, and local governments is apparent. To this end, cross-organizational skills, rather than organization-specific skills, are needed for integrating the management resource among these three groups. We refer to these skills as “relational skills.” These “relational skills” among those who are going to coordinate the social service provision will be crucial in addressing the inverse relationship between work incentives and social capital networks in the Japanese social economy. These skills go hand in hand with the flexible human resource movement in the Japanese economy and “co-producing” or “citizen-participatory” platforms.
2.1. Failure of coordination between governmental policy and local community initiatives in Japan

Public authorities are responsible for coordinating providers of both general economic interest and general social interest in the local areas. Local public authorities need the design ability from systematic view for coordinating and synchronizing the supply of locally needed services.

Public, for-profit, and nonprofit enterprises have their own entrepreneurial goals, which never converge into the same goal. Each of the above types of organization differs, particularly in terms of the human capital or human network (which may be referred to as a kind of social capital) required. Furthermore, each type of organization has its own competences according to their field. Table 1 presents the number of CSOs, including social economy organizations, in Japan.

Table 1 Number of CSOs in Japan, by type (Dongre 2009)

<table>
<thead>
<tr>
<th>TYPE</th>
<th>JAPANESE NAME</th>
<th>NUMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Interest Legal Persons (Civil Code Corporations)</td>
<td>Kooi Hojin</td>
<td>25,263</td>
</tr>
<tr>
<td>Social Welfare Corporations</td>
<td>Shakaifukushi Hojin</td>
<td>8,811</td>
</tr>
<tr>
<td>The Religious Corporations</td>
<td>Shukyo Hojin</td>
<td>182,641</td>
</tr>
<tr>
<td>The Private School Corporations</td>
<td>Gakko Hojin</td>
<td>7,874</td>
</tr>
<tr>
<td>The Medical Corporations</td>
<td>Iyo Tegn</td>
<td>40,000</td>
</tr>
<tr>
<td>Cooperatives</td>
<td>Kyodo Kumaia</td>
<td>40,000*</td>
</tr>
<tr>
<td>Specified Incorporated Nonprofit Corporations (NPOs)</td>
<td>NPO Hojin</td>
<td>40,000*</td>
</tr>
<tr>
<td>Neighborhood Associations (NIHA)</td>
<td>Chonarkai</td>
<td>292,227*</td>
</tr>
<tr>
<td>Children’s Groups</td>
<td>Kodomokai</td>
<td>138,000*</td>
</tr>
<tr>
<td>Elderly People’s Groups</td>
<td>Reinkai</td>
<td>150,000*</td>
</tr>
<tr>
<td>Other Civic Groups</td>
<td>PTA, Youth Groups, Voluntary Associations, Joint Buying groups etc</td>
<td>598,000*</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>1,524,846</td>
</tr>
</tbody>
</table>

Public authorities coordinate the interaction among the public, private for-profit enterprises, and private nonprofit enterprises. The role of public authorities is not to monopolize the supply or compete fiercely with private for-profit enterprises, but to enhance the level of networking among these groups required to effectively and efficiently provide services for local development.

3. EFFICIENT HUMAN RESOURCE MANAGEMENT DEVICES IN THE FOR-PROFIT SECTOR IN JAPAN

In Japan, skilled human resources result from intra-firm or organizational training systems, which are less developed among NPOs and other social economic organizations. This is because on an average, such organizations are too small to afford the required training.

Recently, owing to the aging Japanese society, retired persons from for-profit enterprises have become expected sources of human resources for NPOs. [Remark 18] However, a problem with these human resources is that they are efficiently trained to bind social capital or company-specific social capital to enhance productivity within the firm.
3.1. Accumulation of human capital in for-profit firms and the government

Japan has been accumulating a high level of human and social capital to coordinate persons and organizations in private for-profit sectors. Bureaucratic organizations in both national and local governments have also been accumulating skills to manage their organizations. In contrast, social economy organizations are lacking the required human capital and entrepreneurship.

Furthermore, as mentioned previously, in Japan, the employee training system has been used for human capital accumulation. Similarly, fringe benefits and social services have been used to ensure employee loyalty. However, the employment system has changed to a more performance-based and market-linked reward system; in addition, fringe benefits for employee incentives have been reduced. Meanwhile, in 2006, the Japanese government decided to lower its social security spending; now, Japan has one of the lowest public spending for social security as a percentage of GDP among developed countries.

The variety of organizational ownership should be considered when redesigning the work and payment system in Japan. Some of the uncertainty will decrease if the “hold up” problem is avoided by changing the ownership of a company. Governance and incentive structures with a variety of ownership in economic organizations should be considered not only for each organization but also for local governments, public enterprises, and even for creating social capitals for local development.

The system that had been Japan’s strength has turned into its weakness. The delay in restructuring the old system has caused the present problems. The country has previously succeeded in implementing the seniority-based wage and lifetime employment under a good macroeconomic performance. After the Japanese economic environment changed, many private for-profit enterprises began to introduce a performance-based wage system. In addition, other types of employment statuses were introduced, such as part-timers, dispatched workers, and contractual workers.

3.2. Human capital accumulation factors that prevent co-production across sectors in Japan

A main characteristic of Japanese human capital accumulation is the joint investment structure in the employment system. This joint investment facilitates risk-sharing between enterprises and employees by making them share the cost of training. In the case of Japan, organization-specific human capital played a key role in the joint investment system. In this system, employees invest in the organization-specific human capital and, in return, are provided lifetime employment and compensation through a seniority-based wage system. Organization-specific human capital along with internal training enables companies’ and workers’ joint investment in human capital. Through this joint investment, employers can decrease the risks of job change by employees, and employees can reduce the risks of acquiring useless work experience.

Organization-specific human capital refers to knowledge and abilities that work only for an individual organization; these include specific tools and machines, teamwork, longstanding business partnerships, and human relationships. On the other hand, general human capital refers to nonspecific knowledge and abilities that work in every organization; these include the ability to manipulate standardized tools and machines, knowledge of the accounting and corporate tax system, basic training in marketing and management, and scientific knowledge for technological development.

However, after the emergence of global financial structure, the stockholders emerged as the most influential stakeholders in the Japanese enterprises, where employees are considered as members of the inner group accumulating knowledge and ability specific to a company. These employees are
assured of wage increases and additional allowances. However, if the employer does not keep these promises, they may lose specific human capital when employees quit. The same outcome occurs in the case of a hostile M&A where employees fall into a “hold up” situation.

Consequently, since the post-war period, Japanese workers at for-profit and governmental organizations have been accumulating high levels of human and social capital. Even in their relationships with external business partners, most of these employees behave according to their title or function per their training and are always restricted by the organization’s internal decision-making system.

### 3.3. Current situation in Japanese workplaces

Organizations in Japan are increasingly witnessing variations of ownership; they are no longer classified as either for-profit or nonprofit. Consequently, organizations have also seen various changes in management strategy and human resource management.

The portfolio of human resources in Japanese for-profit enterprises is changing rapidly. Some important changes in the employment system are the restructuring of the internal training and promotion system and outsourcing of human resources. Fast-track employees are screened more carefully, and more skilled and experienced workers are reducing fixed costs and creating more flexible employment. Long working hours for young regular employees and increasing share of non-regular employees are also prevailing.

In the 1990s, particularly during the worldwide economic recession, unequal employment opportunities worsened, especially among new graduates. The rate of employment for new graduates is not surprisingly low; however, their job separation rate after several years has been drastically increasing, making the Japanese labor market more unstable. In addition, the rate of non-regular employees has been increasing among the young generation, and so are those who are “not employed, in education, or training” (NEET). Thus, to help this demographic, the government should work on increasing employment opportunities in a variety of organizations, changing the wage system in for-profit organizations, and increasing job satisfaction in both for-profit and nonprofit organizations.

### 3.4. Importance of transitioning from an “employment regime” to a “welfare regime” in Japanese public policy

Most communication tools are developed to enhance the efficiency of internal, not inter-organizational, communication. Currently, Japanese public policy is experiencing difficulty in transitioning smoothly from an “employment regime” to a “welfare regime.” Miyamoto (2008) describes this situation as follows:

Japan had not spent large amount of money for social security .... However, our observation had been that Japan is the country of equality and stableness, and has even been said to be a socialist country. This is because of the “Japanese employment system” or the “construction enterprise state.”

To understand the common origin of the problem, we need to note that most individuals involved in Japanese public policy, including public servants and private sector employees, are guaranteed lifetime employment. Miyamoto (2009) explains the concept of lifetime security as follows:

The term “lifetime security” combines the terms “employment” and “social security.” To sustain the life of people in Japan, they must continuous work, and in case of inability to find work, must have a certain assurance of income and a certain support system that would enable them to rejoin the labor market.
Because the Japanese social welfare system is still closely connected to the concept of lifetime employment security, the country is experiencing significant difficulty in changing the enterprise system based on human capital accumulation, which has seriously damaged Japanese family life and local communities. The “lifetime security” of the Japanese labor force is still heavily dependent on employment opportunities; for example, when workers lose their regular employment, their “lifetime security” decreases. Even more seriously, when male workers retire, they lose their social ties because their social participation is mainly at their workplace.

3.5. Work incentives in the social economy organization

Several studies, for example, by Borzaga and Defourny (2001) and Pestoff (1998, 2009a, 2009b), claim that work incentives and quality of services in the third sector are significantly high compared to those in the public or for-profit sectors. On the basis of these findings, this paper aims to empirically research human resource and governance problems in the Japanese social service provision.

Japanese social economy enterprises have relatively weak financial and human resource foundations. Furthermore, networking among social enterprises and local governments has several difficulties, especially in utilizing the mapping of resource endowments in the region, human resources, financial resources, social capital, and citizenship initiatives. Workers in social economy enterprises are highly motivated by their organization’s mission and understand the importance of mutual cooperation among providers of social services.

As far as labor incentives are concerned, the introduction of the performance-based wage system negatively affected workers in Japanese for-profit enterprises, causing a considerable loss of reliability of and cooperation from employees. Moreover, workers and officers in the government sector are losing trust and confidence in their workplaces and also from local citizens.

A crucial question is whether organizational resources, such as human and financial resources, of nonprofit and for-profit social enterprises and local governments can be combined to create a substitute for the traditional Japanese bureaucratic social service provision system. However, under the current working conditions, where the idea of lifetime employment is becoming less popular, skills and expertise that previously applied to only one organization need to be adaptable to different organizations; in short, multi-organizational skills and expertise are urgently needed. This can also be called “relational skills” among different partners in a local economy. Social entrepreneurs must develop substantial “map-making skills” as one of the qualification of social entrepreneurship, and learn to navigate the “cracks between systems.”

Moreover, the fact that the lifetime-based employment system still prevails in both private for-profit and government sectors may hinder the sharing of social capital among different organizations. This may be the legacy of the high productivity employment system, which had contributed to the economic recovery after WWII. In addition to that, Japanese welfare policy relied on two pillars: the enterprise-based, fringe benefit system and the bureaucratic, top-down social welfare corporation system controlled by lifetime employed bureaucrats. These two elements may have provided inflexible and inefficient networks among providers of social services in Japan.

One of the main findings of this discussion is that coordinating skill training among social economy enterprises and local governments is acutely needed, and local governments and for-profit enterprises should be more flexible in co-producing social services with social economy enterprises. These two efforts seem to solve the multi-stakeholder problems in providing social services to the aging and decreasing population in Japan.
4. TWO QUESTIONNAIRE SURVEYS IN FOR-PROFIT AND NONPROFIT ORGANIZATIONS IN JAPAN

In this section, we describe two questionnaire surveys on the work incentives in the for-profit and nonprofit sectors. These surveys are described below.

1) Survey 1: Change in work incentives and level of uncertainty after the introduction of the performance-based wage system

This survey was conducted online in Japan from November 5 to 10, 2003 through the Yahoo! Research Monitor. Participants were those whose personal annual income was almost equal to the annual income of a family, which is the head of the household. Table 2 provides the response rates and distribution of the survey.

<table>
<thead>
<tr>
<th>Total</th>
<th>20’s</th>
<th>30’s</th>
<th>40’s</th>
<th>50’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distributed</td>
<td>2,838</td>
<td>750</td>
<td>750</td>
<td>750</td>
</tr>
<tr>
<td>Responded</td>
<td>1,585</td>
<td>469</td>
<td>482</td>
<td>377</td>
</tr>
</tbody>
</table>

2) Survey 2: Possibility of a variety of work in non-profit organization and workers collectives

This survey was conducted in the Kanagawa Prefecture, next to Tokyo, from October to December 2002. The Kanagawa Prefecture has both very populated areas like Yokohama and less populated areas near the mountain side. The survey was administered to both organizations and workers in NPOs and workers’ collectives. In addition, we conducted several hearing studies with some of these organizations, in particular, 39 in NPOs and 17 in workers’ collectives. Furthermore, we conducted group interviews with the leaders of these organizations. Table 3 provides the response rates and distribution of the survey.

<table>
<thead>
<tr>
<th>NPO corporations</th>
<th>Distributed</th>
<th>Responded</th>
<th>Percentage</th>
<th>Personal respondent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>749</td>
<td>209</td>
<td>27.9%</td>
<td>260</td>
</tr>
<tr>
<td>Voluntary organizations</td>
<td>608</td>
<td>76</td>
<td>12.5%</td>
<td>153</td>
</tr>
<tr>
<td>Workers Collectives</td>
<td>228</td>
<td>104</td>
<td>45.6%</td>
<td>213</td>
</tr>
</tbody>
</table>

4.1. Main findings from Survey 1

A reason why the performance-based wage system was introduced in the for-profit sector was to enhance worker incentives. However, the results of the survey show that only 11.2 % replied that their motivation had risen, and 38.5 % replied that their motivation had fallen (Figure 2).
4.2. Low payment in NPO and workers collective but high satisfaction in work

Wages in NPOs and workers’ collectives are very low in comparison to those of both regular and non-regular employees in for-profit enterprises. However, job satisfaction is high in comparison to that in for-profit organizations (Figure 3-1, Figure 3-2).

**Figure 3-1 Job satisfaction in nonprofit organizations**

<table>
<thead>
<tr>
<th>It is satisfactory very much.</th>
<th>It is satisfactory.</th>
<th>It is neither satisfaction nor dissatisfaction.</th>
<th>It is dissatisfied.</th>
<th>It is dissatisfied very much.</th>
<th>Unanswere</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.7</td>
<td>50.0</td>
<td>27.7</td>
<td>3.4</td>
<td>5.4</td>
<td>0.8</td>
</tr>
</tbody>
</table>

**Figure 3-2 Job satisfaction in workers’ collectives**

<table>
<thead>
<tr>
<th>It is satisfactory very much.</th>
<th>It is satisfactory.</th>
<th>It is neither satisfaction nor dissatisfaction.</th>
<th>It is dissatisfied.</th>
<th>It is dissatisfied very much.</th>
<th>Unanswere</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.6</td>
<td>48.4</td>
<td>36.2</td>
<td>2.2</td>
<td>4.1</td>
<td>0.4</td>
</tr>
</tbody>
</table>
4.3. Work incentives in the third sectors in Japan

Contributing to the society and sympathizing with the mission of the organization emerged as the main sources of work incentives in NPOs and workers’ collectives.

Meanwhile, challenge, freedom or flexibility, and interpersonal relationships emerged as unique characteristics of NPOs and workers’ collectives as workplaces (Figures 5-1 and 5-2).
However, NPOs and workers’ collectives in Japan also have disadvantages as workplaces, such as low compensation and workload, staff shortage, and insufficient social security benefits. Thus, even though work incentives are very high in these organizations, their working conditions need improvement. This may be a cause of instability in these organizations in Japan, and thus something that must be further examined.

4.4. Isomorphism among for-profit and non-profit social service providers

In verifying the link between for-profit and non-profit enterprises, we should note that there exists adverse isomorphism in Japan in that for-profit enterprises are beginning to adopt the nonprofit style of organization. This tendency is evident in government-designed social welfare organizations and social welfare councils in Japan, in other words, the top–down, institutionalized social welfare provision system, which is different from the grassroots civil society initiatives. This system is the complete opposite of former Prime Minister Hatoyama’s “new concept of public service” described earlier.
Suda (2008) has compiled evidence of this adverse isomorphism in Japan. “Precedent research accumulated in English-speaking countries reports that nonprofits strengthen their character as for-profits in case the public services are privatized like the long-term care insurance. And as a result, the border between for-profits and non-profits become ambiguous” (Grønbjerg, 2003; Guo, 2006; Harris, 2003; as cited in Suda, 2008). Furthermore, “contrary to that, in Japan, the difference between for-profits and nonprofits is maintained, or a reverse isomorphism occurs, in which for-profits strengthen their character as nonprofits (Suda and Guo, 2008). Furthermore, from the result of the panel data survey form, regarding the long-term care associations, nonprofits remain rather stable than for-profits, even with the turnover of the enterprises in the long-term care insurance service market” (Suda, 2008).

According to institutional economics, organizations in a certain domain of activity require several modes of activity and style of organization, and it regulates the behavior of each organization. Accordingly, the similarity between organizations increases. This means that there exists a certain amount of isomorphism in the ex-ante expectation of organizations within the context of long-term care insurance.

Isomorphism in Japan is unlike that in other countries where nonprofits become similar to for-profits; rather, for-profits become like nonprofits. There exist certain deficiencies in management skills among social welfare, medical, and for-profit corporations. However, no matter how much a for-profit achieves the characteristics of nonprofits, they will never take over the position of nonprofits. As a result, nonprofits play the role of something like an anchor of service provision in Japan.

5. RELATIONAL SKILLS NECESSARY FOR SOCIAL SERVICE PROVISION IN JAPAN

Social economy enterprises, such as the cooperatives, mutualities and NPOs, are expected to be the primary solutions to the empowerment of social service provision in Japanese local communities. However, it indeed necessary to establish some sort of cross-sectoral cooperative platform among social economy, for-profit, and local government organizations for the empowerment of human resources; otherwise, the quality and cost of social services will not be sustainable even for the short term.

5.1. Organizational social capital accumulation as a hindrance to regional social capital creation by regional community participation

Sugisawa and Akiyama (2001) provide empirical evidence of low relational skills among older male employees in Japanese firms. Figure 6-1 shows that Japanese males depend on their workplace for social participation more than Japanese females and both their U.S. counterparts.
Figure 6-1 Percentage of social participation by workplace and regional community

Figure 6-2 shows that this tendency continues over two periods of 1987 and 1990, that is, Japanese males remain depend on their workplace for social participation and do not socialize in their local community and even less so in regional communities. Lacking the mobility between workplaces and regional community, these tendencies of Japanese male may be a cause of the difficulty in cross-sector coordination of social service provision through relational skills.

Figure 6-2 Change in social participation over three years

Source: Sugisawa and Akiyama (2001)

6. MAINTAINING THE CONSISTENCY BETWEEN PUBLIC AUTHORITIES AND PRIVATE FOR-PROFIT AND NONPROFIT INITIATIVES BY OVERCOMING SEVERAL ASYMMETRIES

Maintaining high levels of human and social capitals for the provision of social services are very significant problems because many social services in private initiatives are managed by charismatic leaders. Combining work incentives and social entrepreneurship of various local social service providers is necessary for the empowerment of local communities. Each organization has its own specific system of human capital accumulation. Asymmetries in local social service provision are eliminated when workers are able to adapt their skills across organizations.

We may say that Japan has been accumulated a high level of individual human capital and a kind of social capital for coordinating persons and organizations “inside” private for-profit sectors. In
addition, bureaucratic organizations in both national and local government have been accumulating their own specific skills to manage the organization. However, not enough human capital or entrepreneurship in local communities or organizations in Social enterprise. Thus, it is important to examine the differences in work incentives among these various organizations and realize that lifetime employment is now becoming less prevalent, that is, skills and expertise need to be less organization-specific and more adaptable to various organizations.

We can interpret such skills as some sort of social capital among various partners in the local economy. The social entrepreneur must develop substantial “map-making skills” and learn to navigate the “cracks between systems.” By enhancing such human and social capital, we can overcome the asymmetry among social service providers in the local community. There are several asymmetries among the different organizations in the local social service provision in Japan, including:

- Asymmetry of information

In addressing this asymmetry, the goal must be to maximize the utilization level of factors endowed in that specific local area, including information from the demand side of local services.

- Asymmetry of human capital

The workforce supporting NPOs and workers’ cooperatives are mainly comprised of housewives and retired people, who are less trained compared to the workforce in for-profit organizations.

- Asymmetry of social entrepreneurship

New types of entrepreneurial skills that can coordinate the different types of organizations to realize that local service provision are urgently needed.

### 6.1. Government intervention in the coordination of local service provision

To what extent should the local and national governments intervene in the activities of individual corporations, particularly in the case of inadequate performance of private entries in coordinating social service provision, owing to insufficient entrepreneurship? Conventional frameworks or borders between organizations are sometimes no longer useful for creating demand-matching local services. Through cooperation and co-production among the different types of economic organizations, demand-matching services can be created through solving several asymmetries.

### 6.2. Citizen participation

It is not market mechanism that addresses the various demands for local services, but rather citizen participation in service provision through a democratic decision-making process. This process also blurs the boundaries between the different sectors and economic organizations and facilitates the sharing of human resources among organizations, which in turn leads to more effectively meeting the demand for local services.
6.3. The necessary platform to promote cooperation between NPOs and local governments

Social economy enterprises, including NPOs, as providing partners of local social services, need the help and cooperation of local governments. To this end, the three main priorities are “understanding of NPOs among local government officers,” “increasing budget for NPOs,” and “frequent communication between local government and NPOs.”

The networking structure solves the distribution problem of relational skills. The issue, then, is how we create these networks among several stakeholders in local social service provision. This paper determines how citizens’ demand for local services can be met through innovation and management of networks and infrastructures, focusing especially on the human resource viewpoint. To meet local service demand, the following are needed:

- Networks: Human networks build upon the endowments of human capital and social capital in the region. They also expand or facilitate collaboration between different sectors.

- Infrastructures: These refer to certain platforms to support the cooperation between organizations in different sectors, such as intermediate support for social economy enterprises.

6.4. Relational skills

They are necessary to promote the coordination between key players in local social service provision.

As said previously, Japanese men have difficulty participating in social and regional networks after retirement. Their insufficient social skills make it difficult for them to participate in new organizations like NPOs or other social economy enterprises.

Figures 7 and 8 show us that there is a strong need for regular communication between local governments and NPOs. Furthermore, local governments need to understand NPOs more accurately as partners in social service provision. Meanwhile, Figure 9 shows that NPOs require the intermediation of local governments when dealing with for-profit organizations. However, such situations are currently very low.
Figure 7 Necessary skills for nonprofit organization staff

Source: Center for Non-Profit and Public Management (2009)

Figure 8 Factors that facilitate cooperation between nonprofit organizations and local governments

Source: Center for Non-Profit and Public Management (2009)
6.5. Case studies of failure and success of public-private co-production in citizenship initiatives

**Yokohama: A case of lack of relational skills in the public sector**

The Yokohama Prefecture provides an example of a failure of coordination between the government and social economy. It is but one of many examples where the Japanese bureaucratic management system does not work well with the social economy.

The issue in this case is that the three types of organizations should communicate not as separate organizations but as one organization; otherwise the human capital in each organization cannot be effectively utilized.

The complex social service provision mechanism will not be realized without the accumulation and sharing of human capital from each of these three different organizations.

The case of Yokohama is a good example of accumulation of social capital, because the prefecture has comparatively high levels of human capital that help motivate young people to participate in society. However, government is unable to determine the accurate function of each factor in the region. Because there are already several governmental and nonprofit organizations that support youth social participation, the MHLW decided to shut down the Yokohama Young Job Spot (YYJS) for supporting young people to find a employment opportunity.

Most of the supporters of the YYJS are members of NPOs that promote youth activities. The MHLW explained that they closed down the youth organization “to make an accent in budget distribution among Young Job Spots all over Japan.” Nevertheless, there are still many young people and their
families that supported the YYJS. Supporters of the organization decided to finance it by themselves and successfully re-opened it, changing its name to the Yokohama Young Job Square.

The basic problem in this case was that the government did not care properly how the nonprofit sector should be connected to public policy.

**Kobe: A case of successful public-private co-production**

This case is an example of effective cooperation among citizens, public authorities, and private for-profit organizations in the provision of local services. The project in question is the KuruKuru bus service by the Minato Sightseeing Coach Company in Kobe (Matsumoto, 2008). “Kurukuru” in Japanese has several meanings, two of which are “spinning around” and “come frequently.”

The Sumiyoshi-dai uptown was created by the Hyogo Prefecture as a public housing area in 1970 at the steep hillside of Kobe City. Private developers built nice ocean-view houses for young new residents. However, 25% of the new residents in 4,000 families are from the older generation. Until recently, there were no buses from and to the Kobe central area, which becomes a problem as the residents get older. The transportation division of Kobe City is reluctant to create a new bus line because of steep and narrow road with high labor cost. A private bus company decided to collaborate with the local citizenship initiative and turn it into a profit-making business (Matsumoto, 2008).

In this case, the city authorities did not create a bus line by itself, but rather cooperated with the citizens and a for-profit company to do so. To assist in the project, the city authorities allowed sharing of bus stops with the city bus and provided information on public buses. The new bus line currently makes 56 trips per day.

**Nagano: A case of successful co-production through citizen involvement**

The case of the Nagano Prefecture is an example not of the top–down, institutionalized welfare system in Japan but of the bottom–up, democratic involvement of citizens. The case is about the provision of a medical care system through co-production. In his research, Pestoff (2009) focused on the Koseiren Hospital in Saku City of the Nagano Prefecture. The hospital is run by the Japanese Agricultural Cooperative Movement (JA), which performs the important function of providing regular annual health examinations for the rural population by using traveling clinics, lectures, and movies to promote members’ health, diet, and housing conditions.

Pestoff (2009) further describes the case as follows:

The health cooperatives are unique in that they actively involve their users/members in the healthcare process as agents of change. Users gain knowledge about their own and others’ health, which facilitates more effective collaboration between users and medical care providers towards the common goal of enhancing citizens’ health and their quality of life. The users/members become co-producers of their own healthcare. Health cooperatives are also governed as multi-stakeholder organizations. Thus, they promote democracy in medical care in two different ways: first by bringing greater parity into the asymmetric relation between users and providers or staff and patients, and second in the democratic governing of healthcare cooperatives.
7. CONCLUSION: DIRECTION OF THE JAPANESE SOCIAL ECONOMY AND GOVERNMENT INTERVENTION IN THE COORDINATION OF LOCAL SERVICE PROVISION

One of the findings of this paper is that integration of the research and training efforts among organizations in the social economy is acutely needed, and the government and for-profit sector should be more flexible in their coordination and co-production with the social enterprise sector. This seems to be the only way to solve the multi-partner or multi-stakeholder problems in the Japanese local economy, where the population is rapidly aging. However, further analyses in other countries are required to validate these findings.

7.1. How Japan can enhance cross-sectoral relational skills and promote cross-sectoral co-production

It is not “supercapitalism” (Reich, 2007) that addresses the various demands for local services, but rather citizen participation through the democratic decision-making process. This process also facilitates the blurring of boundaries between sectors and economic organizations and the sharing of human resources among organizations, which in turn more effectively meets local service demands.

In Japan, the boundaries between organizations in different sectors are rather complicated owing to the history of government intervention in social service provision. As discussed previously, in the field of long-term care services, such intervention is rather significant in the nonprofit sector, and the choice of for-profit legal forms for facilitating social service provision is not rare in the nonprofit sector.

7.2. Human resources that enable inter-organizational cooperation among different types of organizations

In our interviews with leaders of NPOs providing social services, they admitted that inter-organizational cooperation has been very poor owing to less-skilled human resources, particularly in leadership. Why do leaders find it difficult to collaborate with each other? We found that this comes from the positive work incentives within organizations and weak coordination among the different organizations. In other words, there exists a high level of social capital within organizations but low social capital among organizations.

In the case of long-term care services in Japan, there are various types of organizations that provide social services. Figure 10 illustrates the distribution of the different organizations in social service provision based on Pestoff’s Triangle. It is important to note that there are organizations with different organizational goals and labor incentives. Furthermore, the inflexible labor market does not allow the frequent movement of human resources among different types of organizations. This discrepancy has widened after the introduction of the Long-Term Care Insurance Law. The increasing share of for-profit organizations also blurs the boundaries between for-profit and non-profit enterprises. The weakening coordinating power of social welfare councils, especially in the urban areas of Japan, has given rise to the oligopoly of large scale for-profit service providers that employing low-paid, non-regular employees. Meanwhile, NPOs with a high level of social values and worker democracy do not have the ability to effectively compete with these for-profit, oligopolistic enterprises. This weakening government coordination and intervention can only be conquered by establishing some sort of cross-sectoral cooperative platform for social enterprises and local governments and by promoting the relational skills of persons who are going to coordinate the different organizations in the social service provision in Japan.
7.3. Relational skills in the relationship between social economy and public policy

The effective sharing of human resources among the different social service provider organizations is key to ensuring the existence of the social economy in the public policy of Japan.

Japanese human capital accumulation, especially of organization-specific human capital, is done through the sharing of management and governance within the organization. The mechanism for intra-organizational sharing of human capital between for-profit and non-profit enterprises should not be much different.

A problem in this regard is the mutually exclusive mechanism of accumulation of intra-organizational social capital and inter-organizational social capital, owing to the longstanding concept of lifetime employment. The effective sharing of human and social capital among the different sectors will make creating a new platform for human and social capital development in Japan sustainable.

Relational skills enabling the cooperation among the different sectors are especially required for people in the public sector. These skills include the mobilization of resource mapping for providing social services. The ability of various sectors to co-produce and co-construction will facilitate the cooperative structure. These abilities include the ability to grasp the reality, communicate, and improve systems.

People in the private for-profit sector also require skills, namely social participation not through the workplace, but through regional and civil organizations. In addition, they need the ability to change the work attitudes through negotiation and collaboration with other enterprises without concerns about past institutions and traditions. This would encourage the introduction of a corporate social
responsibility (CSR) policy-designing process through flexible collaboration with third sector organizations.

Meanwhile, people in private NPOs also require skills, namely strong professional and management abilities and the ability to share skills and information in their network without depending on their charismatic leader.

Lastly, sustaining the Japanese society after “the Great East Japan Earthquake in 2011 requires independent grassroots democratic bodies of civil society organizations, particularly cooperatives and NPOs. In addition, cross-sectoral collaboration and movement from the concept of lifetime employment and organization-oriented decision making to a grassroots democratic architecture of decision making is required. It is important to address lifetime employment because it affects decision making by promoting intra-organizational consistency, membership homogeneity, and low flexibility in organizing heterogeneous initiatives and cultures into a positive power.
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