



International Comparative Social Enterprise Models

Social Enterprise in Japan: Notions, Typologies, and Institutionalization Processes through Work Integration Studies

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PREFACE AND ACKNOWLEDGEMENTS

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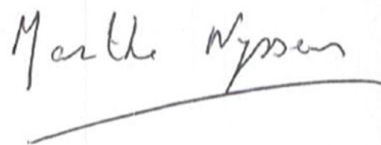
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ABSTRACT

In this paper, as part of the ICSEM (International Comparative Social Enterprise Models) project, we describe the notions, institutionalization processes, and typologies of Japanese social enterprises. Especially, we focus on work integration social enterprises (WISEs) for the disabled (i.e. persons with physical disabilities, persons with intellectual disabilities, and mentally disabled persons) because many of those organizations promote the social inclusion of those people who—in the Japanese society—represent the most excluded group. Unlike many countries, Japan does not have specific policies for social enterprises yet, due to a lack of recognition of social enterprises among both the general public and policy makers. However, in the case of WISEs, three policies affect those organizations and influence their social goals, strategies, and means in terms of social inclusion, management, and governance style. Specifically, policies on service providers for the disabled—namely the Act on Services and Support for the Disabled—have contributed substantially to the financial sustainability of WISEs. At the same time, this Act has had a negative impact on those organizations by promoting among them a commercialization of their practices which goes against their natural mission of spreading democracy and solidarity. In this paper, we also stress the important role played by Japanese social enterprise academics in promoting a sustainable social inclusion of marginalized people.

Key words:

Social enterprises, WISEs, notions, institutionalization processes, typologies, Japan

INTRODUCTION

In Japan, as in the rest of the world, social enterprises are increasingly regarded as essential organizations for the making of a healthy society. Some Japanese social enterprises provide specific services for vulnerable people, whereas others are prevalently engaged in the revival of local areas. However, despite these valuable activities, there is little public recognition of this type of organization in Japan. The reason for this lack of understanding can be found in the simple fact that there is not a specific legal form for social enterprises in Japan. Japanese schools of thought also propose different interpretations of the concept. This lack of a clear definition of social enterprise contributes to making social enterprises subject to a lot of misunderstandings, which oftentimes jeopardize their real contribution in the social, economic and political spheres.

The scope of this paper is twofold. On the one hand, we introduce three pathways to understand the concept and context of social enterprises in Japan. On the other hand, by focusing on WISEs (work integration social enterprises) for the disabled (those including persons with physical disabilities, persons with intellectual disabilities, and mentally disabled persons), we attempt to explain what policies and institutions have been affecting their profiles and how WISEs can be classified on the basis of primary and secondary data analysis undertaken by the authors since 2008. The reason for us to focus on WISEs is easily explained by the fact that, in Japan, the disabled are the most excluded group of people, and many WISEs act to promote their social inclusion. Actually, only 5.4% of the 7.4 million disabled are employed in the mainstream labour market (Cabinet Office 2010; Ministry of Health, Labour and Welfare 2009); as of May 2012, around 2,000 WISEs tackled this issue in various ways (Welfare and Medical Service Agency 2012). Considering characteristics of each type of WISEs, we located all Japanese social enterprise models in the “welfare triangle” as developed by Pestoff (1998, 2005). In the final section, we discuss the prospects and the need for development of a more inclusive and sustainable social enterprise from a Japanese perspective.

CONCEPTS AND CONTEXTS OF SOCIAL ENTERPRISE IN JAPAN

In Japan, we are currently witnessing an increase of interest in social enterprises, prevalently in academic circles, with universities opening departments and organising courses about social enterprises. However, we should point out that some of those academic courses are based on a more American definition of social enterprises, with a focus on entrepreneurship rather than on solidarity. Despite this growing academic interest, recognition about social enterprises among policy makers and the public in Japan is still relatively low.

In 2011, against the background of an increase in the number of people suffering from social risks linked to unstable employment, poverty, and weakened community bonds, the Japanese government set up a special team to strategically tackle social exclusion. In the same year, the government clearly stressed the role of non-profit organizations (NPOs) in the urgent policy proposal for social inclusion. However, the term “social enterprise” was not mentioned. The same situation occurred in the case of other policies. For example, the government positioned NPOs, social businesses and community businesses as crucial actors to revitalize areas devastated by the Great East Japan Earthquake and showed willingness to support those organizations via the master plan (i.e. the main Government plan for public investments), but again here the term social enterprise was not mentioned. Actually, unlike what is the case in many European countries, there is no particular legal form for social enterprises in Japan. In

2010, a Bill on Social Cooperatives was to be submitted, but it was finally never submitted because only a limited number of persons supported it.

On the basis of several discussions among researchers and practitioners and by looking at the real activities implemented by those organizations, we could identify three main conceptual approaches to explain the emergence of social enterprises in Japan: a) the earned-income non-profits approach; b) the non-profit-cooperative approach; c) the social business approach.

A. Earned-income non-profit approach

The earned-income non-profit approach is based on the general idea that, when earned income becomes necessary and vital for the sustainability of a non-profit organization, then this organization will tend to develop market activities and will be increasingly seen as a “social enterprise”. From this perspective, social enterprise often assumes a quite negative connotation because it contrasts with the more traditional concept of non-profit in Japan. The Japanese non-profit sector was regulated for decades by the Civil Code of 1898. Article 34 of the Code defined “legal persons acting in the public interest” (*koeki hojin*) as “an association or foundation relating to rites, religion, charity, academic activities, arts and crafts, or otherwise relating to the public interest and not having for its object acquisition of profit.” Although *koeki hojins* could enjoy tax benefits for themselves and donations, they were established with the permission of and strictly controlled by the competent authorities. Therefore, it was not necessarily attractive for groups that wanted to maintain their autonomy, as Pekkanes and Simon (2003) pointed out. In addition, the standards for permission were not clear and it was left to each competent authority to decide whether organizations could become *koeki hojins*. Consequently, many voluntary groups could not qualify to get a legal status¹.

However, after the 1995 Great Hanshin Awaji Earthquake, many volunteers were active for rescue and revitalization, and this triggered a movement for the establishment of an easier legal status for voluntary and non-profit organizations. One result of this was the enactment, in December 1998, of the Special Non-profit Activities Promotion Law, also known simply as the NPO Law. This allowed thousands of previously unincorporated grassroots associations

¹ The Reform of *Koeki Hojins*, implemented from 2000 onward, aimed to address this lack of clarity and to develop a healthy third sector in Japan by defining clear standards to check whether *koeki hojins* really acted for the public interest. As a result, the following three acts were enforced in December 2008: a) Act on General Incorporated Associations and General Incorporated Foundations; b) Act on Authorization of Public Interest Incorporated Associations and Public Interest Incorporated Foundations; c) Act concerning Special Measures for Enforcement of General Incorporated Associations/Foundation Act and Public Interest Incorporated Associations/Foundation. Under these three acts, the status of all *koeki hojins* was revoked and they were forced to re-register as new entities. The new law allows these organizations to be re-registered in the form of incorporated associations (*ippan shadan hojins*) or incorporated foundations (*ippan zaidan hojins*). Incorporated associations can be established if there are at least two members and without any requirement regarding the financial base—this was a big improvement compared to the previous legislation, which required that *shadan hojins* collect at least \$3,000 as annual membership fees. Incorporated foundations need only a net asset of at least \$30,000 (compared to the \$5 million required under the previous law). In addition to previously existing *koeki hojins* re-registered as *ippan shadan* or *ippan zaidan hojins*, any organization—as long as it can claim not to operate in the pursuit of profit, regardless of whether it has a charitable purpose or not—is allowed to file for this legal designation and to be recognized as “public interest incorporated association” (*koeki shadan hojin*) or “public interest incorporated foundation” (*koeki zaidan hojin*).

and self-help groups, which had sprung up since World War II, to obtain a “specified non-profit corporate” status (*tokutei hieiri katsudo hojin*). As of July 2013, there were around 48,000 incorporated non-profits in Japan. However, as figures of the Cabinet Office (2013) show, Japanese non-profits are small-scale organizations, and their average gross income is \$369,000. Even when they get the legal form, incorporated non-profits are not automatically granted tax benefits for themselves and for the donations they receive². Around 60% of incorporated non-profits’ revenue come from earned income.

In Japan, governments and social welfare corporations have long been engaged in the provision of welfare service with public money. Under the system called “Welfare Placement”, users could not contact directly a service provider whom they preferred, and they had to follow authoritative decision. Because of financial difficulties and fundamental problems of the Welfare Placement system (such as the lack of choice of service providers and unequal relations between service providers and users), in April 2000, the Japanese government abolished the Welfare Placement and implemented the Nursing Care Insurance System: it authorized any private organization (including incorporated non-profits) meeting standards set by the government to provide elderly care service, and set up a reimbursement system for costs based on the volume of services provided. The Nursing Care Insurance System represented a big turning point for Japanese non-profit organizations, which it enabled to secure stable finances. Following the implementation of this new system, a lot of non-profit organizations entered the nursing care insurance market. The number of incorporated non-profits providing elderly care service increased from 350 to more than 1,000 between 2000 and 2003 (Tanaka et al. 2003). Tanaka et al. (2003) also showed that the amount of income of some incorporated non-profits through the Nursing Care Insurance System reached over \$ 1 million for just two years.

Omuro (2003) and Tanimoto (2000) believe that Japanese non-profit organizations, which have traditionally depended on public funding, have become increasingly involved with selling services, products and other commercial activities. However, other research projects have found out that this was not the case. Sakurai (2008) and Tanaka et al. (2003) showed that many incorporated non-profits provide not only care services covered by the Nursing Care Insurance System but also other services, referred to as *Tasukeai/Hureai* services, such as supporting going out, delivering meals, weeding a garden and taking dogs for walks, which are not covered by the System, and that these non-profits tend to be less commercially oriented than other providers. Nakagawa (2009) also found that incorporated non-profits attach importance to achieving the social mission of providing care services to “anyone, anytime and anywhere”. For example, *Nagareyama You-I-Net*, whose yearly income amounts to about \$2 million and which is being regarded as one of the pioneering social enterprises in this approach, issues coupon tickets called “*Hureai Kippu*” to promote mutual help within the local community. As with other service providers, services covered by the System are provided by staff members who are qualified home helpers. However, local residents can use *Hureai Kippu* to ask for the provision of *Tasukeai/Hureai* services, not covered by the System, and receive it from local volunteers under the coordination of *Nagareyama You-I-Net*. Anyone can become both a recipient of and a volunteer for *Tasukeai/Hureai* services. Around 1,500 local residents are involved in it³. Another example is provided by *Tasukeai Saga*, which operates seven *Takurojos* in the Saga prefecture. *Takurojos* are houses where elderly people live; they

² In order to get tax benefits, a specified non-profit corporation has to become a certified non-profit corporation by meeting several requirements. For example, more than one fifth of their revenue must consist of donations.

³ Concerning details on *Hureai Kippu*, see Nakagawa et.al. (2011).

are small buildings and are usually private residences which have been converted into elderly care institutions with very little changes made to the structure, so as to make the users feel at home. Compared to traditional hospices, nursing homes and mental hospitals, *Takurojos* are perceived by Japanese people as an innovative and alternative idea that makes it possible for elderly people and people with disorders to continue to live in local communities. Interestingly, *Takurojos* do not targeted only the elderly. In the case of *Tasukeai Saga*, the *Takurojos* named "*Ohtakara*" and "*Omoyai no Ie Kizuna*" welcome the elderly and persons with intellectual disabilities. A *Takurojo* named "*Nukumori Home Ohnobaru*" is used not only to care for the elderly and disabled children but also as a community space for local residents. Through the operation of *Takurojos* and day-care centres for children, the Nursing Care Insurance Service, the provision of vocational and living support for the disabled and various *Tasukeai/Hureai* services, *Tasukeai Saga* gets around \$3 million income.

B. Non-profit-cooperative approach

Another understanding of the concept of social enterprise in Japan emerged among researchers and practitioners directly involved in the field of cooperatives. Indeed, the long European tradition and literature on cooperatives had an influence also in Japan. Moreover, some influential books, such as those produced by the EMES International Research Network, have been translated into Japanese and have contributed to spreading the idea that social enterprises may also have cooperative roots, not just non-profit ones. Many Japanese researchers and practitioners began to acknowledge the recent developments of this EU model as the emergence of a new type of organizations, i.e., the social cooperatives or social enterprises (the two terms have often been used as synonymous).

The idea of "non-profit cooperative" (*Hieiri Kyodo*) has become the Japanese concept that most closely approximates the notion of a "social economy" bringing together non-profits and cooperatives, such as it is understood by European scholars. This approach contrasts with the definition of the non-profit sector which was introduced by American scholars through the Johns Hopkins Comparative Nonprofit Sector Project. Indeed, the project did not include cooperatives in its approach of the third sector, and it met with a strong opposition among some academics in Japan (Tomizawa and Kawaguchi 1997). Traditional Japanese cooperatives, such as consumer, farmer and credit cooperatives, have always been powerful in the country. In some cases, as Kawaguchi (2006) pointed out, many founders of non-profits and women workers' cooperatives were those with a background as consumer cooperative activists; he concludes that consumer cooperatives in Japan can be considered as the "God Mother" of the *Hieiri Kyodo* movement or social economy within the Japanese context.

In the past, the main activities of *Hieiri Kyodo* organizations were contracted out from local governments; they included the management of buildings, planting trees and mowing, and joint purchasing of daily necessities as well as work related to co-op stores. However, with the introduction of the Nursing Care Insurance System in 2000, the number of cooperatives providing care services for the elderly increased.

Cooperatives active within the Nursing Care Insurance System usually take the form of worker cooperatives. As of March 2014, the Association of Worker Cooperatives had trained 50,000 people as care workers and encouraged them to establish a worker cooperative. Cooperative service providers have the same objective to improve welfare service in the local community as non-profit service providers. However, the main difference between these two forms of

providers consists in the fact that cooperative providers also aim at enhancing solidarity among workers, whereas non-profit providers are prevalently user-oriented.

The Nursing Care Insurance System gave rise to a new trend of mixed organizations in Japan, namely cooperatives with a strong social mission and actively involved in the delivery of social services. Thus, the non-profit-cooperative approach sees in this new trend the most recent development of the *Hieiri Kyodo* and identifies the concept of social enterprise with those types of mixed organizations, which are cooperatives acting as non-profits. Currently, those mixed organizations have expanded their activities to other social services, like raising children and supporting the disabled. In 2005, a group of researchers and practitioners, supporters of this approach, established “The Social Enterprise Study Group” in Tokyo, which has been holding meetings periodically and contributing to the emergence of a more vivid discussion.

Work integration social enterprises (WISEs) are a representative example of social enterprises in this approach. *Global Human* provides work for the homeless and people at risk of homelessness on the basis of a strong belief that everyone is competent to pursue production activities. *Global Human* is engaged in farming, fishing, construction, painting and gardening with those people, and sells valued products and services. In addition, *Global Human* does not only provide houses and daily necessities, but also opportunities to promote friendship between the workers and local residents. Worried about the increase in unemployment due to the Great East Japan Earthquake, *Global Human* also established two offices in devastated areas and provides work for victims. The *Global Human* is supported by the Ministry of Health, Labour and Welfare to continue to offer care and a wide range of services for the homeless. Another example of WISE is *Youth Port Yokohama*, which implements vocational training for young people excluded from the labour market. *Youth Port Yokohama* provides not only programs to acquire basic learning, IT skills and social skills and to recover confidence, but also opportunities to experience work, in cooperation with over 110 organizations, including for-profit companies.

WISEs are thus active in a wide range of activities for disadvantaged people. “Workers’ collectives” are somewhat different from ordinary WISEs. Workers’ collectives are established by housewives who are members of the “*Seikatsu Club Cooperative*”. They aim to create new and democratic workplaces for women and to provide services for local communities by utilizing their experience and views. The first workers’ collective, named *Ninjin*, sells lunch boxes that use safe products; it was established in 1982. Sympathizing with members who work actively in *Ninjin*, other members founded workers’ collectives, which multiplied in the nation—so much so that it is assumed that today at least 30,000 women work in workers’ collectives, and the total turnover of these businesses reaches \$300 million. Workers’ collectives are engaged in various industries like care for the elderly, disabled people and children; production of foods; and managing cafés. Even if they are service providers within the Nursing Care Insurance System, they also offer (as incorporated non-profit organizations do) *Tasukeai/Hureai* services, not covered by the System. There is no specific legal form for workers’ collectives; they are forced to choose other legal forms or to operate without legal forms. For example, the legal form of *Sakuranbo*, which manages a nursery school, is that of a specified non-profit corporation. *Bon*, which sells jams produced with local blueberries, is a business cooperative defined by the Medium/Small-Size Enterprises and Cooperative Law.

C. Social business approach

The final approach is the broadest among the three. It addresses the concept of social enterprise by bringing in many notions, from community business to social business, from social entrepreneurship to corporate social responsibility. This approach is particularly influenced by the US concepts of social innovation and social business. In the beginning, the concept of “community business” was imported into Japan from the UK. A social business would be the same as a community business but with a wider territorial domain; it would focus on a region or society as a whole rather than on a small local area (Hashimoto 2007; Ministry of Economy, Trade and Industry 2008).

Two major streams of thought are formed around the idea of social businesses in Japan. The first views the social business as an extension of non-profits that need to earn income to sustain their charitable mission. Supporters of this school of thought can easily identify themselves with the earned-income approach, although they focus on social entrepreneurs rather than on organizations (Jinza 2005; Kawamoto 2007). The second stream focuses more on social innovation and recognizes social entrepreneurs as change agents in the social sector (Hattori 2002; Ohmuro 2003; Tokyo Foundation 2002). Influenced by the debate on social business, the Ministry of Economy, Trade and Industry launched a research meeting on “social business” in 2007 and the “social business forum Japan” and the “social business survey” in 2008.

Beyond the differences between the two schools of thought and the diversity of legal forms of organizations identified as “social businesses” in Japan, these enterprises are expected to share three characteristics (which are also present in the definition of social businesses by US academics and practitioners; see Austin et al. 2006; Dees et al. 2004; Perrini and Vurro 2006; Prabhu 1999):

- 1) Social purpose: addressing social issues is perceived as the mission of these enterprises;
- 2) Business model: adopting business models is the method chosen to resolve social problems;
- 3) Innovation: pursuing new opportunities to serve the mission by engaging in a process of continuous innovation, adaptation and learning is the strategy adopted by social businesses (Ministry of Economy, Trade and Industry 2008; Tanimoto 2006).

For example, *Irodori*, which has the legal form of a stock company, is one of the most successful and famous social businesses in Japan. The city of Kamikatsu cho, in the Tokushima prefecture, where it is located, faced serious economic crises and an overaging of its population. *Irodori* was established in order to revitalize Kamikatsu cho, both socially and economically. Its creator, Tomoji Yokoishi, worked in Kamikatsu cho’s hall; he began to sell food garnishes through the Internet, such as petals of cherry blossoms, peach blossoms and leaves of Japanese maples, Japanese persimmons and camellias—all plants that flourish in the area and which elderly people (and especially female elderly) can carry easily. *Irodori* motivates the female elderly to work actively; together, these women earn \$10 million a year. In 2012, *Irodori*’s success story was turned into the movie named “*Jinsei, Irodori*”.

Another example is that of *Mori no Seikatsu*, a specified non-profit corporation located in Shimokawa cho, in the Hokkaido prefecture. Shimokawa cho had suffered from depopulation and was well-known as the most depopulated area in Hokkaido. Atsushi Nasu, who had studied local development at university, served as a public official and had been committed as

a volunteer to support immigrants, launched *Mori no Seikatsu*; the aim was to create a new industry in Shimokawa cho, utilizing the forests, a local asset of Shimokawa cho, to support the development of the city. *Mori no Seikatsu* implements various businesses, such as guiding visitors around the forests, environmental education for schools, forest therapy, training in aromatherapy and production of essential oils. Furthermore, *Mori no Seikatsu* manages an accommodation facility, named *Mori no Naka Yokkuru*, to promote friendships between local residents and visitors. Guests can not only enjoy the learning programs relative to the forest and aromatherapy; they can also cook for themselves, using vegetables and herbs cultivated in gardens based on the theory on permaculture. *Mori no Seikatsu* is praised for its economic, social and environmental contributions, and it received the Social Business Encouragement Award in 2009.

The social business approach encompasses not only non-profits but also for-profits like *Irodori*. However, according to the 2008 social business survey conducted by the Ministry of Economy, Trade and Industry, among the 473 organizations surveyed, the number of organizations with a non-profit legal status was around 50%, whereas organizations with a for-profit legal status represented about 20% of enterprises. Sixty percent of enterprises were engaged in community development activities. The Ministry of Economy, Trade and Industry also estimated that 32,000 people were employed in those social business organizations, and that the scale of their market amounted to \$2.4 billion.

Although the social business approach has attracted much more interest than the other two approaches, it has clear limitations from two points of view. First, the social business approach totally ignores the issue of the governance structure and hardly addresses questions related to profit-distribution constraints or multiple-stakeholder governance. Secondly, and perhaps most importantly, the stream focusing on social innovation does not take into consideration specified non-profit corporations which take part in the Nursing Care Insurance System as providers. As a consequence, the social business approach only encompasses a limited segment of the social enterprise milieu in Japan.

INSTITUTIONALIZATION OF WORK INTEGRATION SOCIAL ENTERPRISES (WISES) FOR THE DISABLED IN JAPAN

Focusing on social enterprises in the field of work integration for the disabled, three main types of policies shaping their profiles can be identified.

Table 1. Three main types of policies affecting WISEs in Japan

Type 1 – policies directed to service providers for the disabled in general
Type 2 – policies targeting the work integration of the disabled and related forms of integration
Type 3 – policies oriented specifically to people categorized as mentally disabled

Type 1 – “Service provider” as target

Since 1951, governments, QUANGOs, and social welfare corporations have been monopolizing services related to welfare and human rights of the disabled in Japan. However, these services were not always effective when it came to achieving the social integration of the disabled. The number of vocational support centres was limited, and only the disabled who

had strong possibilities of “return” into society really made use of them. Besides, these centres were established in places that were geographically far from the disabled’s hometowns; therefore, those institutionalized people were rather isolated from their communities and often did not receive the human treatment they deserved (Nishio 1986; Suzuki 1983). As a consequence of this, most disabled were kept in their own homes, again far from society but at least near their relatives.

It was against this background that in the 1960s, WISEs began to emerge. They aimed to provide vocational training and work for the disabled in local communities. Their purpose was to encourage disabled people to interact with other people while living in their own hometowns.

In 1977, the “Association for Small Workshops” (*Kyosaren*) was established. This consisted of 16 workshops aiming at open a dialogue with the local populations to think about problems relative to the disabled and the social issues those would comport. In 1981, just a few years later, another organization—the “Association for Tackling Exclusion” (*Kyodoren*)—was established. Its purpose was to build new social and economic systems and to spread social cooperatives in Japan. Such action triggered the development of a social movement and a remarkable development of Japanese WISEs after 1980s. Although the actual number of WISEs at this time remains a subject of debate, we found good proofs to believe that there were around 800 WISEs in 1981, and that this represented the double of the vocational support centres operated by governments, QUANGOs, and social welfare corporations in the same year (Ministry of Health and Welfare⁴ 1981).

Since then WISEs were often considered as organizations with great social significance. Some local governments began to offer subsidies for these WISEs. However, despite this financial help, many WISEs were managing their activities with severe financial restraints, and they were not able to pay their disabled workers enough to meet their living needs. According to the Research Committee for Systems and Support for Work Integration of the Elderly and the Disabled (2000), some WISEs managing small workshops paid their workers no more than \$125 a month.

This situation changed in 2003, when a number of circumstances (such as growing unmet needs for services, government financial difficulties, the necessity to improve the quality of services, and unequal relationships between service providers and users), coupled with huge public expectations toward the third sector (as a new provider), prompted the Japanese government to include WISEs as lawful service providers via the Support Payment System for the Disabled. But this system was eventually repealed because the government failed to meet the increasing demand for subsidies coming from third sector organizations that were constantly dealing with high number of requests for services.

Three years later, in 2006, the government decided to promulgate the Act on Services and Support for the Disabled⁵. The Act states that WISEs can engage in one or both of the following two categories of work integration services for the disabled:

⁴ Renamed the Ministry of Health, Labour and Welfare with the implementation of the Central Government Reform of 2001.

⁵ In order to provide comprehensive support, encompassing work, employment, social participation and daily life in local communities, the Act was revised in June 2012 and implemented in April 2013. Accordingly, the name of the Act was changed to the Act on Comprehensive Services and Support for the Disabled.

- The first category is the “transitional support for work”. This category of service can be of two types: a) services for disabled people who hope to work in for-profit companies; b) services for disabled people who hope to acquire a qualification to start a new business or work from home. The Act also specifies that these transitional services are limited to disabled people under 65 and that the integration into the mainstream labour market has to take place within two years.
- The second category of services is named “continuative support for work”. In this category (unlike what is the case for transitional support for work), there are no time limits for work integration. In this category as well, the Act distinguishes two types: a) A-type services, which target the disabled under 65 and require that an employment contract be established with the workers; b) B-Type services, which targets all the disabled, regardless of their age, and does not demand any employment contract.

Type 2 – “Work integration” as target

The origin of policies for the work integration of the disabled in Japan dates back to 1960. In fact, although the Act on Welfare for Persons with Physical Disabilities was established in 1949, it did not cover the possibility for the disabled people to work in the mainstream labour market. However, the 1955 ILO Convention 99 on Vocational Rehabilitation and Employment (Disabled Persons) and the trend in a number of countries in the 1950s to introduce legislation to promote employment of the disabled prompted the Japanese government to tackle work integration as a national problem. Consequently, the Japanese government established the Act on Employment Promotion of the Persons with Physical Disabilities in 1960. The Act was relatively remarkable because it introduced the first quota system in Japan; however, it also had some defects. First, it was applied to persons with physical disabilities only, while the ILO called for full participation and equality for all the disabled, whatever the kind of disorder that affected them. Secondly, the achievement of the specified quota was optional, not binding. Thirdly, the suggested quota system was complex and unclear for employers. And finally, the lowest wage defined by the Act on Minimum Wages did not apply to the physically disabled employees. For all these reasons, the Act was not really effective in achieving the work integration of the disabled.

Having gained insight from these unsuccessful experiences, in 1976 the Japanese government drastically revised the Act on Employment Promotion of Persons with Physical Disabilities. The government made the percentage of employees with disabilities which the workforce in national and local governments, for-profit companies, and QUANGOs should comprise mandatory. The percentage is different for national and local governments, for-profit companies and QUANGOs. For instance, in the case of for-profit companies, the government required that, in companies with more than 50 employees, the disabled represent at least 2% of the workforce.

This percentage was lower at the beginning, just after the Act had been implemented; it has increased gradually since then, year by year. Originally, the target of the quota system was limited to persons with physical disabilities; in 1987, persons with intellectual disabilities were also included. As a consequence of this, the name of the Law was changed from the Act on Employment Promotion of Persons with Physical Disabilities to the Act on Employment Promotion of the Disabled. The mentally disabled persons remained excluded from the Act for a long time, and it was not until 2006 that an amendment to the Act obliged employers to hire those people.

In order to encourage organizations to achieve the quota, the government introduced several measures. Among those, a remarkable one consists in the request made by the government to those organizations that could not achieve the quota to establish and submit a plan to ensure an increase in employment of the disabled. Enterprises which would fail to follow this government's directive would be registered on a black list as "non-cooperators for work integration", which would result in a loss of trust, not only on the part of the government but also among the general public.

The System of Payment for the Employment of the Disabled⁶ was enforced in 1977. This originally imposed a penalty of \$625 a month on for-profit companies with more than 301 employees for every disabled person short of the quota. On the contrary, for those companies of a similar size and structure who achieved the quota, a sum of \$337.5 a month was awarded. As a result of amendments of the Act on Employment Promotion of the Disabled, the System of Payment for Employment of the Disabled was extended to for-profit companies with more than 201 employees and, apparently, in 2015, it should be extended to include companies with more than 101 employees.

In addition to the penalty and reward systems, in 2003 the Japanese government introduced the "Employment Support by Job Coaches", another measure aiming to promote the employment of the disabled in the mainstream labour market. The role of job coaches is to help developing communication and work skills of disabled employees and to give advice to employers over a period of maximum 8 months on the possible effects of various types of mental disorders on work assignments.

For firms that cannot hire the disabled in their main offices, the Japanese Government introduced the "System of Special Subsidiaries" in 1976. In special subsidiaries, disabled employees must represent more than 20% of the workforce; these subsidiaries are also required to have special facilities for disabled employees, such as barrier-free buildings and highly trained instructors. Firms are allowed to establish special subsidiary companies as their affiliates just by getting authorization from the Ministry of Labour and Welfare, and they are then able to register the number of disabled employees in their special subsidiary affiliates as if they were employed in their main branches.

Type 3 – "Mentally disabled persons" as target

Before World War II, mentally disabled persons were mostly kept at home.. Although a law was passed to have the mentally disabled hospitalized in public mental hospitals, such hospitals were not able to accommodate them all, due to budget constraint.

With the adoption of the new Constitution in 1947, the national government became responsible for the promotion of public health; the Mental Hygiene Law was enacted as a result hereof in 1950. For the purpose of providing appropriate medical care and support for the mentally disabled persons, public mental hospitals were established within each prefecture throughout Japan. However, in 1954 there were only 30,000 public hospital beds available, whereas the number of mentally disabled persons who needed to be hospitalized was estimated to 350,000. Therefore, in addition to private clinic and home visits, the government subsidized mental hospitals operated by the third sector.

⁶ The original name was the System of Payment for the Employment of Persons with Physical Disabilities. However, the name was changed to the System of Payment for the Employment of the Disabled when the target group of the system was extended to include people with all kind of disorders.

In 1987, the Mental Hygiene Law was revised, and its name was changed to the Mental Health Law. The new law was highly remarkable in that it declares that its purpose is to protect the human rights of the mentally disabled persons and to promote the re-integration of mentally disabled persons in society. In 1993, informal centres who gave assistance to mentally disabled people were legislated and the “Centre to Promote the Return of Mentally Disabled Persons into Society” was established. In 1995, the name of the law was changed again, from the Mental Health Law to the Law related to Mental Health and Welfare of the Persons with Mental Disorders, so as to better reflect its purposes of helping mentally disabled persons achieve independence and participate in society and of ensuring that they receive appropriate medical treatment. Under the new law, the establishment of vocational support centres and of centres to support the community life of the mentally disabled were further promoted. Furthermore, home services for the mentally disabled were expanded so that the disabled could continue to live in their hometowns.

CHARACTERISTICS OF MODELS OF JAPANESE WISEs FOR THE DISABLED

We looked at those three categories of policies and analysed the results of 18 case studies of WISEs for the disabled (see Table 1). Although some of these WISEs have more than two social goals, as shown in Figure 1, we could define a typology of Japanese WISEs for the disabled, as illustrated in Table 2.

Table 1. WISEs for the disabled covered by the survey

Name	Abbreviation
Supura	SU
Pao	PA
Sapporo Challenged	SA
Shogaisha Syuro Shien no Kai	SH
Waku Waku Kan	WA
Palette	PL
Taimu	TA
Ashitaya Kyodo Kikaku	AS
Himawari Kai	HI
Life	LI
Burari	BU
Kaze no Ko Kai	KA
Moegi	MO
Koropokkuru Sapporo	KO
SUN	SN
Story	ST
Step Yume	YU
Recovery	RE

Table 2. Four types of WISEs for the disabled

	Social goal	Characteristics
First type	- Connecting the disabled with the mainstream labour market	<ul style="list-style-type: none"> - Activities: making the disabled work in for-profits as trainees and part-timers; teaching IT skills and offering direct work in for-profits; dispatching job coaches to for-profits - Main founders: people having experience of work in for-profits - Governance: Board members are founding members and their acquaintances; local residents do not participate in decision-making processes - Workforce and income: the number of workers and the structure of income are different among WISEs; the average current income is \$1.1 million/year
Second type	- Paying enough wages as a stable employer for the disabled workers	<ul style="list-style-type: none"> - Activities: implementing a wide range of business activities such as agriculture, retail store, pastry shops, printing and posting of advertisements - Main founders: people questioning the economic and social systems and the low wages of the disabled and desiring to create a society in which all people can live with dignity - Governance: the management style is open to various people - Workforce and income: the number of workers and the structure of income are different among WISEs; some WISEs distribute money to the disabled workers; the current income ranges from \$420,000 to \$2.6 million/year
Third type	- Providing production opportunities for the disabled to enjoy social life	<ul style="list-style-type: none"> - Activities: offering some office tasks as well as craft work for the disabled - Main founders: family members, the disabled and public officials in charge of issues about the disabled - Governance: families have a say in management and governance; local residents have decision-making power as board members and volunteers - Workforce and income: on average, 7 staff and 6 volunteers work in each enterprise; the average current income is \$323,000/year, most of which comes from public subsidies
Fourth type	- Supporting mentally disabled persons (as well as the alcoholics) to come back into society	<ul style="list-style-type: none"> - Activities: providing services for local residents and acting to build relationships with communities - Main founders and managers: psychiatrists, social workers and health workers - Governance: disabled users feel in many ways empowered to take decisions within the organization. - Workforce and income: number of staff is around 10 and there are no volunteers; the average current income is \$435,350, around 80% of which comes from public subsidies

First type of WISE

WISEs of the first type are those that aim to connect the disabled with the mainstream labour market. To achieve their goal, they undertake different strategies. For example, *Supura* and *Pao*, located in Sapporo, Hokkaido, provide opportunities for the disabled users to work in for-profit companies as trainees and part-time workers. *Sapporo Challenged* and *Shogaisha Syuro Shien no Kai* teach their disabled users high IT skills such as making websites, electronic books and computer graphics and offer workplaces that enable the disabled users to improve their skills while receiving a fair payment from their employers. *Waku Waku Kan* dispatches job coaches to the for-profit companies where the disabled users work and these coaches, in turn, advice employers about the most suitable assignments for the disabled workers.

Although they use different approaches to achieve their goal, all of them attach importance to building relationships with for-profit companies and providing careful support for individual disabled users. For example, *Shogaisha Syuro Shien no Kai* puts the person in charge of sales activities and provides two-hour extra lessons every day for the disabled users who need to improve their skills. *Shougaisha Syuro Sihien no Kai* also holds meetings with employers, public employment security office, public officials in charge of employment of the disabled and a doctor (if necessary) to reflect about the best ways to support the disabled workers in a workplace and ensure that the disabled can continue to work there. In *Supura*, staff interview the disabled users and talk about what they want to be after 6 months and what they should do to achieve this goal individually, on the basis of results of evaluation of occupational and social skills by themselves and staff. As with *Shogaisha Syuro Shien no Kai*, *Supura* also supports the disabled to continue to work easily by exchanging opinions with the employer and the other parties concerned.

These WISEs are established by people who have previously experienced working for for-profit firms. Therefore, like for-profit companies, and with a view to ensuring a smooth and speedy management, they limit board members to founding members and their acquaintances. Exceptionally, in some WISEs, local residents (i.e. people who live in the proximity of the organization) become supportive of what the organization does. However, they cannot participate in decision-making processes, a role this which is reserved only to people who are directly involved in the establishment and management of the WISE

The size of the workforce is quite different among WISEs. For example, *Pao* has 43 staff members and no volunteer. By contrast, *Sapporo Challenged* is operated by only 9 staff members but 300 volunteers who engage, for example, in administrative work, teaching IT skills, etc. Concerning the structure of income, around 45% of income comes from earned income in *Sapporo Challenged*, whereas, in the other four WISEs in this category, around 75% of income comes from public subsidies. The average current income among the five investigated WISEs is \$1.1 million per year.

Second type of WISE

WISEs of the second type are the “final employers” of their disabled workers—i.e. the WISE is not meant as a transitional employer, a “bridge” to the mainstream labour market employers. Their social goal is to provide the disabled with wages that are sufficient to sustain a good living, because WISEs in this category are established by people questioning the competitive economic and social systems and the low wages usually offered to the disabled, and who want to create a society in which all people can live with dignity.

They implement a wide range of business activities, including agriculture, retail store, pastry shops, printing, cleaning facilities and posting of advertisements. All those WISEs concentrate on producing high-track records and added-value products and services, sales drive and marketing to achieve their purpose. For example, *Palette* increased the number of flavours used in cookies and cakes to 30 because they found that when the flavours used were only few, the sales of their products decreased drastically. *Palette* also made several visits to persons in charge of CSR in for-profit companies to ask them for opportunities to sell their cookies and cakes in their workplaces. As a result of this, *Palette's* cookies and cakes are now sold in around ten for-profit companies each month. They are also sold in employee meetings and in bazaars organized by schools. Around 40% of sales come from such big orders. In *Taimu*, the disabled and staff exchange about the most efficient ways to post their advertisements to encourage people to visit their shops. *Taimu's* efforts led to an increase in the sales to clients, and the advertisement strategy reached 8,000 advertisements per day. Through nation-wide networks with organic farmers and fishers, *Ashitaya Kyodo Kikaku* sells organic and natural products in a shop and delivers them to homes of local residents. Recently, they began to make meals using organic and natural products.

In general, this type of WISEs is open to various people. In *Himawari Kai*, for instance, the Board includes founding members, staff, the president of an association of families of mentally disabled persons in Sapporo, professors, a psychiatrist, a member of the Sapporo city council and local residents. They all manage and govern as regular Board members. *Himawari Kai* also discusses its production and sale plans for organic vegetables with a farmer who is the president of an agricultural for-profit company, an association on Effective Microorganisms, a gardening therapist, and local public officials in charge of promoting agriculture. In *Life*, another WISE, various people serve as Board members: the disabled workers, the president of a for-profit company, a civil society activist, and a practitioner of a social cooperative. Although *Life* limits the control of the decision-making to only those people who are directly involved in the establishment and management of the organisation, everyone living in that community and interested can participate in the general meetings of the organization.

For this type of WISEs, the disabled are important workers. Therefore, some WISEs encourage the disabled to earn money for their living by themselves, just like the staff not having disorders. On the other hand, other WISEs, like *Ashitaya Kyodo Kikaku* and *Life*, either allocate money to all workers equally or compensate the lower wages of the disabled workers by offering the latter a bonus.

The size and structure of the workforce is different among the targeted WISEs. For example, *Palette* hires 16 staff members, but there are at least 130 volunteers who undertake administrative work and manage the organization of events for the disabled. *Life*, on the contrary, relies mainly on staff, with 44 staff members and no volunteers. The amount and structure of income is also different among the various WISEs of this type. Currently, the income of *Taimu* is \$1.4 million/year, around 80% of which comes from public subsidies linked to the management of several group homes for the disabled. The annual income of *Life* is \$2.7 million and around 50% of this comes from public subsidies (around 20%) and earned income (around 30%).

Third type of WISEs

WISEs in this third category provide opportunities for the (severely) disabled so that they can enjoy social life. Those WISEs usually do not receive direct contracts from for-profit companies and governments. Instead, they offer carefully selected work that the severely disabled can

pursue, such as craft work. In one of those organizations, *Burari*, the disabled workers make pottery, weave bags, and bake bread. The enterprise also manages a café and a gallery where they offer vocational training for the disabled. In *Kaze no Ko Kai*, the disabled users engage in making postcards. *Moegi* provides sub-contract work like folding leaflets and putting stickers. *Moegi* allows disabled workers with severe conditions to come to the office and return home at any time and perform their economic activities on an informal level.

WISEs of this type are mainly founded by family members, the disabled themselves, and public officials in charge of these issues. Their goal is to promote mutual help among families with disabled members, making it possible for the disabled to continue to live in their hometowns and enjoy life together with their families. Therefore, those families control the management and governance of the WISE. For example, *Koropokkuru Sapporo* is managed by an association of families with people suffering from higher brain dysfunction. This type of WISEs is open to local residents. In *Moegi*, the Board includes local residents as well as founding members, staff, families and disabled users. In *Kaze no Ko Kai*, local residents act as volunteers to help at events and support the disabled; they—together with staff, disabled users and families—have decision-making power on everything about *Kaze no Ko Kai*.

Moegi has more than \$1.1 million annual income and 22 employees; this is due to the fact that it provides a lot of services defined by the Act. However, *Moegi* constitutes an exception among WISEs in this category, which are generally small since they do not implement formal economic activities. The average annual income of the three other WISEs surveyed is \$323,000, most of which comes from public subsidies. Seven staff members and six volunteers work on average in those WISEs.

Fourth type of WISEs

WISEs in the fourth category aim to support the mentally disabled and alcoholics to help them regain the self-confidence, necessary skills and good daily life habits which they need to “come back” into society. For this purpose, these WISEs implement training for daily living and employment, provide their disabled users with opportunities to express themselves through craft work and sports and encourage them to participate in self-help groups. As the mentally disabled persons and alcoholics face prejudice in society, these WISEs offer workplaces (mainly shops) which provide vocational training for the disabled, and through these shops disabled enter more directly in contact with the local population, which helps fighting prejudice.. For example, *Story* operates a recycle shop in a shopping street. *SUN* provides home help services such as cleaning and shopping for local residents, and driving them to hospitals. *Step Yume* and *Recovery* manage a café. WISEs implement these activities in the formal economy; however, their main objective is to build good relationships with the local population, rather than earning money. In order to achieve this, those WISEs hold seminars for and festivals within the local community to spread understanding about mental disorders and alcohol dependence.

Psychiatrists, social workers and health workers are the main founders and managers of this type of WISEs. The disabled users are called “members”, and they have a decision-making power on daily activities. In some WISEs, the disabled users can become board members.

These WISEs are managed by 10 staff members on average. They do not need volunteers because they think that volunteers cannot deal with the disorders appropriately. Their average annual income is \$435,350, and around 80% of this comes from public subsidies. Some of these WISEs receive additional financial and physical support from the respective local

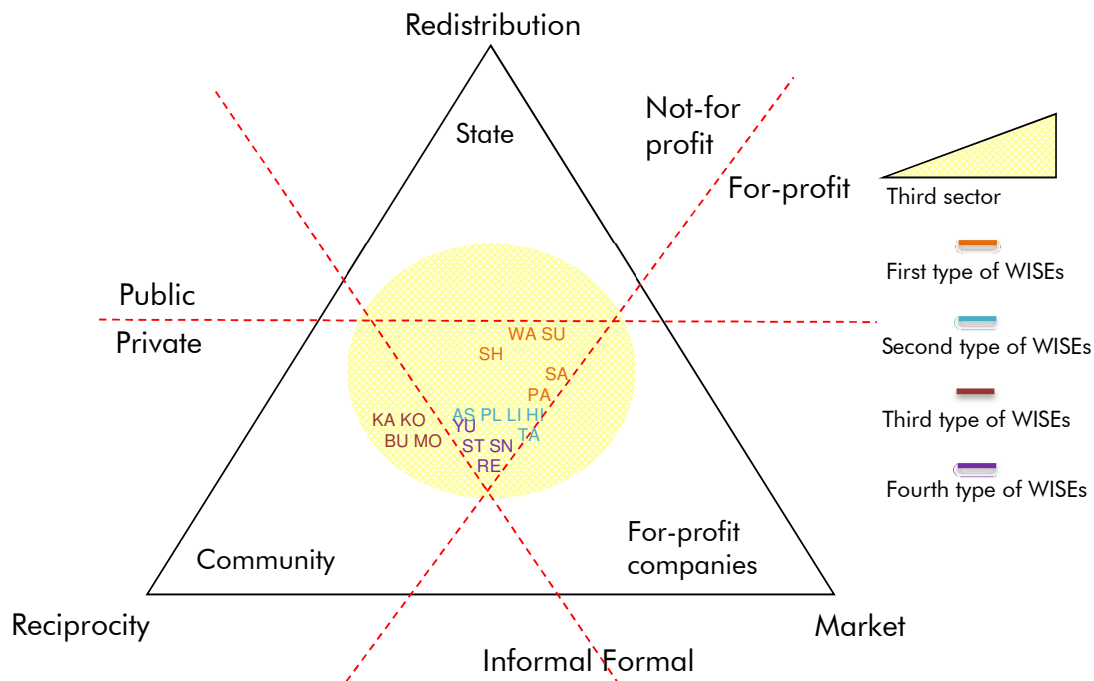
government. For example, the ward office of the city of Meguro lends an office space to *SUN* at no cost. In the case of *Story*, Setagaya ward office organizes bazaars for WISEs regularly. However, some of these WISEs want to evolve toward a different funding mix. *Recovery*, for example, would like to establish a stock company where staff and the disabled users can work equally. In order to achieve this, it has learnt the way of raising funds from Japan Fundraising Association.

The four types of Japanese WISEs for the disabled and the welfare triangle

To sum up, WISEs of the third type are community-oriented and their economic activities are quite informal because they focus on promoting reciprocal help among the concerned persons. WISEs of the fourth type are also oriented to the community; however, unlike the third type of WISEs, they implement formal economic activities through the provision of services for local residents and participation in economic associations. The second type of WISE acts as an enterprise in the formal economy; two sub-types can be distinguished among enterprise in this category according to whether they encourage the disabled workers to earn money for their living by themselves or they distribute money to the disabled workers out of solidarity reasons. WISEs of the first type are also generally like for-profits and they deal with some companies on the basis of equal relationship. However, some of them also carry out work which governments are expected to perform, such as mediation among employers, public official roles, consultation on how to achieve the quota defined by the Act for employers, etc.

Based on our findings, we can locate our surveyed WISEs in the “welfare triangle” as showed in Figure 2.

Figure 2. Position of WISEs for the disabled in the welfare triangle



Notes: (1) Please see Table 1 for legend. (2) We mapped Japanese WISEs for the disabled in the figure on the basis of the welfare triangle introduced by Pestoff (1998, 2005).

DISCUSSION AND CONCLUSION

In this paper, we explained what notions of social enterprises exist in Japan, what institutions affect their profiles, and how they are classified. These findings were based on our nearly seven-year-long research on Japanese WISEs for the disabled. In the severe situation that Japanese disabled persons experience—only 5.4% of the 7.4 million disabled can find jobs in the mainstream labour market—, social enterprises play an essential role to provide vocational training and work to the disabled, and connect those people with society. In Japan, unlike in many EU countries, there are no special policies for social enterprises yet. The reason for this is a low recognition of social enterprises among the general public and policy makers. The social goals, strategies and means for work integration, management and governance style of each type of WISEs have been shaped instead by three policies, relative respectively to service providers for the disabled, work integration and mentally disabled persons.

Specifically, policies on service providers for the disabled, i.e. the Act on Services and Support for the Disabled, is important for WISEs to get financial support. The questionnaire survey⁷ which we carried out among 350 WISEs in the country shows that more than half of their annual revenue comes from governments under the Act. However, the Act does not bring benefits only for WISEs; the Act applies to all service providers for the disabled, regardless of whether they are non-profits or for-profits. Therefore, it could lead to “isomorphism”, causing all organizations to become homogeneous over time, since they are constrained by the same regulations (DiMaggio and Powell 1983). Furthermore, under the Act, the more WISEs engage in service provision for the disabled, the bigger their annual income. As a result hereof, some WISEs are so busy doing paperwork (*inter alia* related to government’s funding under the Act) and responding to their many service users that they do not have time to practice participatory governance and implement activities to spread solidarity. Indeed, the surveyed WISEs warn that an increasing number of WISEs are facing a situation in which their activities are being jeopardized by a change of internal practices which tend to push them to perform as for-profits. It is supposed that WISEs which do not engage to the same extent in the provision of services defined by the Act can afford to have a more open and democratic management and act for spreading solidarity. On the other hand, many WISEs in our survey underlined the need for more funds, which puts them under pressure. According to our survey, around 80% of the 350 surveyed WISEs had an income of less than \$500,000. Thirty-five percent of them were even operated with less than \$200,000. Thus, Japanese WISEs are clearly facing a dilemma: either they prioritize a better income, or they maintain and preserve the specific characteristics of social enterprises.

In order to solve this dilemma, special policies for social enterprises—creating specific legal forms (or at least a clear definition of “what a social enterprises is” at the national level) and special funds to provide financial support to social enterprises—are strongly required. Several WISEs carry out advocacy activities for the establishment of policies for social enterprises. For example, *Toyonoo Shogaisha Roudou Center* gave the following suggestions about what the Minoo municipal government should do to integrate the disabled into society:

⁷ This survey was funded by the Japan Society for the Promotion of Science through a three-year project (2011-2014) on “Disability and Employment”. 1,000 Japanese WISEs were contacted—making this survey the largest national survey ever conducted—but only 350 accepted to take part in the survey. Laratta was the main investigator and Nakagawa was the main co-researcher for this study.

- Creating and developing places where the disabled can work and form friendly relationships with other citizens;
- Subsidizing organizations where the disabled not only is offered a job, but he/she is also encouraged to actively participate in the management and governance of the organization;
- Securing sufficient payment for the disabled workers, allowing them to live decently, and placing work orders with WISEs.

The Minoo Social Cooperative Policy was adopted in 1997, after discussions and several revisions. It was the first social cooperative policy in Japan that subsidizes three quarters of the payments for the disabled employees. It also made it possible to hire some employees not suffering from disorders and to purchase or repair facilities.

Kato Ishizawa, the executive director of *Life*, impressed by Italian B-type social cooperatives, proposed the introduction of a policy of this type to the Sapporo municipal government; he was supported in his proposal by Tomofumi Yamamoto, the chief director of *Moegi*. The Sapporo municipal government was just considering the necessity to establish workplaces enabling the disabled to achieve economic independence; therefore, the proposal to introduce social cooperative policies similar to those relating to Italian B-type social cooperatives was very appealing for the Sapporo municipal government. The Sapporo Social Cooperative Policy was adopted in 2006⁸; it subsidizes the wages and benefits of employees not having disorders, the wages of the directors, traveling expenses, administrative work, facilities, rent and so on.

Advocacy activities carried out by social enterprises are quite important for the development of special policies for social enterprises. However, unfortunately, many Japanese WISEs mentioned during the interviews that they were so busy with the work and vocational training for the disabled that they did not have enough time for advocacy activities. Others simply do not have any interest for improving their institutional environment. Our survey of 350 WISEs showed that only 17% of them implement advocacy activities.

In such circumstances, the role of academics could prove crucial to establish specific policies for social enterprises in Japan. Although the number of universities having departments and running courses on social enterprise is increasing, the links between social enterprises and universities remain weak in Japan. Japanese universities should provide training about social enterprise management for directors, board members and workers of social enterprises. They should also introduce courses about foreign policies for social enterprise, explain how these policies support social enterprises in their fight against social exclusion, and implement capacity building for advocacy activities to support the adoption of similar policies in Japan. Furthermore, it would be necessary to hold regular open seminars targeting local residents so that they can understand what a social enterprise is and realize how necessary these enterprises are for a healthy and peaceful society. Finally, individual academics should concretely investigate activities of social enterprises and raise awareness about their social, economic and political contributions through publications (including working papers such as this one) and prompt policy makers to establish policies for social enterprises, beyond differences among the various schools of thought, so that social enterprises can sustainably work to connect marginalized people with the rest of society and further contribute to building an inclusive society.

⁸ Concerning details on social cooperative policies, please see Nakagawa (2013).

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