



# ► Strengthening Social and Solidarity Economy Policy in Asia



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## Mapping the Social and Solidarity Economy Landscape in Asia Spotlight on Japan

Key features of social and solidarity economy (SSE) related to mutual aid, local community development and cooperation have deep cultural roots in Japan. In recent decades, traditional values and practices have been complemented and transformed as concepts and social innovations from around the world have gained traction. Furthermore, closer and more supportive relations have emerged between the public, private, non-profit and civil society sectors. This confluence of ideas, practices and sectors has resulted in an expanding ecosystem of organizations and enterprises engaged in economic activities that assume some of the economic, social and

democratic features associated with SSE (see Box 1). Drawing on ongoing ILO research on SSE in Asia (see Box 2), this Brief highlights the cultural roots of SSE in Japan, the influence of indigenous and foreign concepts on public policy, the main types of organizations that make up the SSE landscape, policy challenges and ways forward for strengthening SSE.

### Box 1: Defining SSE

While definitions vary (see Brief 1), core features of SSE have been described by the United Nations Task Force on SSE (UNTF SSE) as follows:

“SSE encompasses organizations and enterprises that have explicit economic and social (and often environmental) objectives; involve varying degrees and forms of cooperative, associative and solidarity relations between workers, producers and consumers; and practice workplace democracy and self-management. SSE includes traditional forms of cooperatives and mutual associations, as well as women’s self-help groups, community forestry groups, social provisioning organizations or ‘proximity services’, fair trade organizations, associations of informal sector workers, social enterprises, and community currency and alternative finance schemes.”

Source: <https://unsse.org/sse-and-the-sdgs>

### ► Asia



### Box 2: ILO Project on Strengthening SSE Policy in Asia

This brief is based on research that was carried out under the first phase of the ILO project “[Strengthening Social and Solidarity Economy \(SSE\) Policy in Asia](#)” that took place during 2019-2021. The research sought to better understand the current status of SSE in six countries in Asia (Republic of Korea, Japan, China, Malaysia, Indonesia and the Philippines) in terms of the organizational landscape, adopt a framework suitable for cross-country comparison, identify policy challenges and suggest preliminary pathways for strengthening SSE. Through a second phase of the project, ILO will conduct additional country studies in Thailand, Vietnam, Mongolia, Kyrgyzstan, Laos and Cambodia. This brief presents key findings from the research paper “Mapping the Organizational Landscape of the Social and Solidarity Economy in Japan” by Hiroki Miura.

## Cultural and conceptual foundations of public policy on SSE

While the concept of SSE is not widely used in Japan, other terms that describe core SSE values and practices have a long history. Importantly, they have been assimilated into contemporary public policy discourse and institutions.

SSE practices and organizations existed over several centuries for the management of common-pool resources, to provide financial support through rotating credit schemes, and to defend and promote the interests of specific groups by forming intermediary organizations. With the establishment of the modern state system in the latter half of the 19th century, these organizations either declined or were fundamentally transformed. Within policy and academic discourse, however, they are considered part of the cultural background of SSE.

Various concepts shape contemporary SSE and public policy in Japan. *Hieiri*, which refers to non-profit activity, was inserted in the Civil Code enacted in 1896 and was subsequently recognized as the basic guiding principle of citizens’ social and service activities. *Machizukuri* appeared in the 1960s to describe various local civic organizations working autonomously for the cultural, social and economic development of a community; participating actively in local governance; and living harmoniously with the surrounding ecosystem. *Kyodo* (translated as ‘co-production’) was introduced to Japan in the early 1980s and spread rapidly to refer to civic participation and effective cooperation between local or central government and other actors.

These three concepts are central to a strategic change in the nature of the public-private relationship that was introduced in 2010. Known as “New Public Commons”, this reform sought to give more weight to non-state entities operating in the public interest, including newly recognized civic organizations which, operating voluntarily and autonomously, contributed to resolving economic and social problems.

Recently, social welfare policy has drawn heavily on the concept of *kyojo*, a form of mutual help. Different governments have stressed the importance of solidarity between people and organizations at the community level. Mutual support (*sasaeai*) and connection between people (*tsunagari*) are emphasized as core values which social enterprises and non-profit organizations can propagate, for example, in the case of the Community-based Integrated Care System introduced in 2015, which combined care provision with other welfare services.

New organizational forms and administrative tools centred on efficiency and accountability have been introduced to promote public and social values. Reforms include simpler establishment procedures for non-profit corporations, such as Specified Non-profit Corporations (SNCs) and General Non-profit Corporations (GNCs), as well as a more inclusive policy vision for promoting pluralistic organizational collaboration at the community level through New Public Commons, Mutual-help Societies and various public-private partnership or policies that enable *Machizukuri*.

The growth of for-profit enterprise with a social orientation has been fuelled by concepts that originated outside Japan but were quickly assimilated. ‘Corporate social responsibility’ (CSR), for example, resonated with Japanese concepts associated with a pro-social business culture. Among them was, *sammpo yoshi*, the notion that commercial activity must ensure benefits for three stakeholders: seller, buyer, and the community.

The terms social business, social innovation and social entrepreneurship were introduced almost simultaneously at the beginning of the 2000s. Community businesses have been recognized as a local version of social business. A wide range of stakeholders from government, the private sector and civil society, have actively supported the growth of social entrepreneurship and social business through incubation programmes and forms of financial and other assistance. The [Ministry of Economy, Trade and Industry](#) implemented the Social Business Promotion Initiative in 2008, established nine Promotion Councils for large area hubs and helped to nurture a Social Business Network

in the private sector. Examples of other prominent initiatives include Entrepreneurial Training for Innovative Communities (ETIC), Social Venture Partners Tokyo (SVP Tokyo) and Florence (see Box 3).

Intermediary financial support activities such as Civic Funds (*shimin kikin*), NPO Bank<sup>1</sup> and Impact Investment have also expanded. Both private giving by citizens and corporate philanthropy by large companies play an important role as the main financial sources of these activities<sup>2</sup>. Their legal forms vary from non-profit and public interest corporations to private companies. Local governments, too, are actively involved. For example, Hokkaido prefectural government and Nagano city government have been important investors in Hokkaido NPO Bank and NPO Yume Bank, respectively, since 2003. The city government of Hachioji and Kobe introduced the Social Impact Bond (SIB) system in 2017 to support health care service providers.

As the concept of the private sphere broadened beyond conventional for-profit business, the notion of public-private partnership extended to include non-profit and community-based organizations. The for-profit corporate sector also increased its support for SSEOs. Many non-profit corporations, for example, receive subsidies, donations, pro bono and technical assistance or engage in collaborative business initiatives with companies.

## The SSE landscape in Japan

Different laws and fiscal policy identify a total of 169 types of corporations and informal associations make up the organizational ecosystem of Japan. The Corporation Tax Act and National Tax Statistics Report classify legal corporations and informal associations into five groups: ordinary corporations, cooperatives and associations, public interest corporations, public corporations, and others. As part of this research, 45 legal entities were analysed in order to map the SSE landscape, which is described below.

### SSE organizations and enterprises (SSEOs)

Applying the three criteria – economic, social and democratic – adopted by the ILO project to define enterprises and organizations that make up the SSE, only four of the 169 types of legal corporations and informal associations constitute fully-fledged SSEOs (see Figure 1). This refers to entities which, by law, are expected to undertake productive and sustainable business activities, be guided by a social mission and uphold certain principles of democratic governance or were freely established on a voluntary basis (see Brief 1).

They include Consumer Cooperatives, associations and foundations that are constituted as Public Interest Corporations (PICs), forms of non-profit organizations

#### Box 3: Growing social business in Japan

- Entrepreneurial Training for Innovative Communities is one of the oldest organizations supporting social entrepreneurship in Japan. Funded by students and citizens in 1993 and established as a non-profit corporation in 2000, it started a social venture business contest and began incubation of social entrepreneurs in 2001. ETIC currently offers a diversified portfolio that includes internship placements, incubation programmes and other capacity building initiatives targeting youth, students, working professionals and corporations.
- Social Venture Partners Tokyo was established in 2003 and became the first Asian affiliate of US-based Social Venture Partners International (SVPI) in 2006. Originally set up as a small private company (LLC), it was constituted as a non-profit corporation in 2012. Involving a network of engaged philanthropists (Partners), it aims to accelerate social entrepreneurship in Japan.
- Florence is regarded as an organizational model of social innovation in the field of childcare. Commencing its activities in 2003 as a form of non-profit corporation, Florence provides nursing care for children with special needs, operates daycare centres for working parents and strives to prevent abuse and neglect of newborns. During the COVID-19 pandemic, the organization has implemented the Child Emergency Support Project to provide medical supplies and home delivery of food and other essentials items to vulnerable households.

<sup>1</sup> A number of citizen-led banks exist in Japan, including NPO Bank, Community Bank and Shimin Ginko (citizen bank). They provide citizen-oriented financial services, providing loans to NPOs or individuals at low interest rates. The fund is also used for community projects. See: [https://www.japanfs.org/en/news/archives/news\\_id035475.html](https://www.japanfs.org/en/news/archives/news_id035475.html)

<sup>2</sup> Asia Venture Philanthropy Network (AVPN), *Japan: Social Investment Landscape in Asia* (AVPN 2019)

registered as Specified Non-profit Corporations (SNCs) and Joint Business Cooperatives, a form of workers' cooperatives<sup>3</sup> (See Figure 1).

By far the largest type of SSEOE is **Consumer Cooperatives**. Approximately 30 per cent of the population in Japan are members of the country's 591 Consumer Cooperatives, which are part of the Japanese Consumers' Cooperative Union. Consumer Cooperatives are divided into several functional groups such as community-based retail cooperatives, university cooperatives, insurance mutual associations, and medical organizations. The Union also engages in welfare and educational activities, policy advocacy and international solidarity.

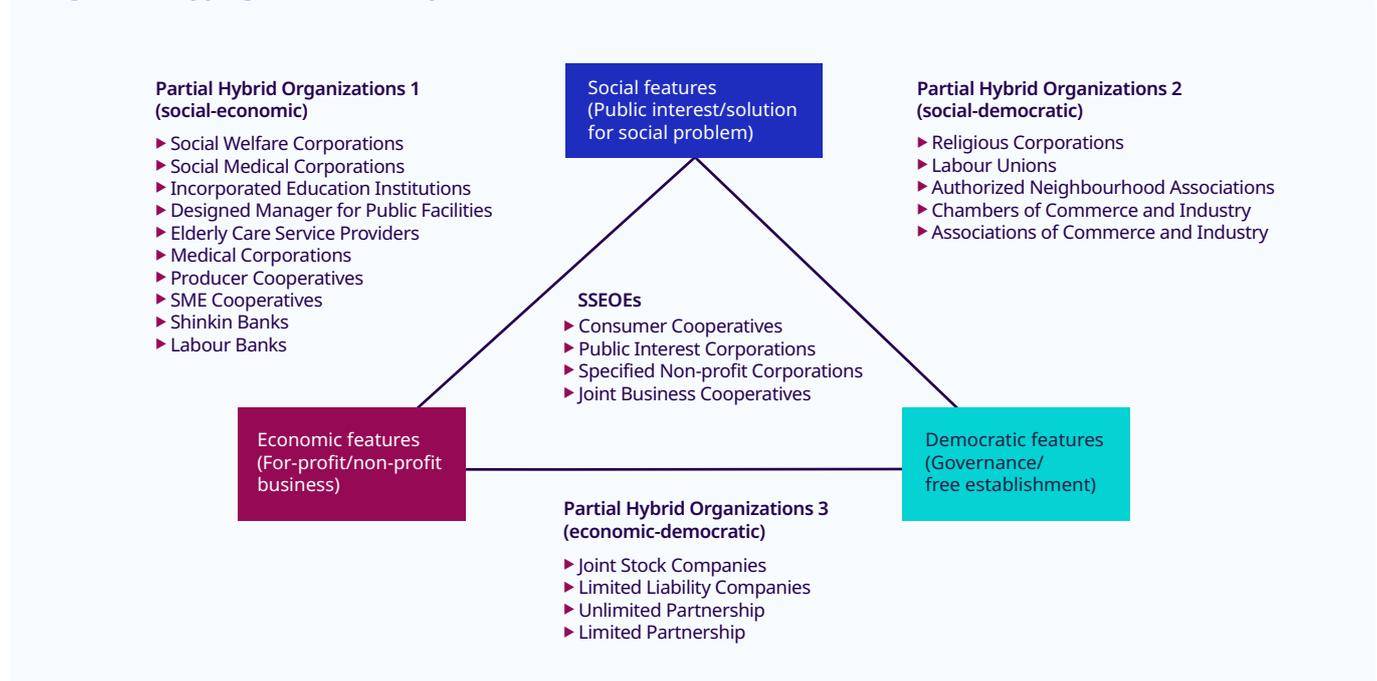
Several community-based retail cooperatives have expanded their portfolio of activities. [The Seikatsu](#)

elections.<sup>4</sup> As of 2020, 33 clubs operated as community-based cooperatives all over Japan with a total membership of 400,000.<sup>5</sup>

The largest SSEOE in the country is the community-based cooperative, [Co-op Mirai](#), with about 3,500,000 members and 3,000 full-time and 10,300 part-time workers. The main activity of Co-op Mirai is direct delivery of fresh food from rural areas, retailing via community stores, elderly care and insurance services.<sup>6</sup> During the COVID-19 pandemic Co-op Mirai has begun a home delivery service using bicycles with a cargo trailer.

Of the nearly 10,000 **associations and foundations** that constitute PICs, most provide specific services at the national or regional (prefectural) levels. For example, nation-wide civic movement organizations, such as the [Ecosystem Conservation Society Japan](#), [All Japan](#)

► **Figure 1. Mapping of SSEOs in Japan**



[Club Consumers' Cooperative Union \(SCCCU\)](#), for example, was established largely by women in 1965 as a movement for joint purchasing of dairy products. It subsequently broadened its marketing activities to connect rural farmers and urban consumers, engaged in alternative energy development and environmental activism, and became involved politically in local

[Childcare Association](#) and the [Nippon Foundation](#), take the form of a PIC. Both SNCs and PICs also collaborate to tackle common issues for communities such as disaster relief, education and elderly care services.

**Foundations** work in a wide range of areas such as community revitalization, nurturing of children and

<sup>3</sup> Joint Business Cooperatives are relatively small in number. Less than 2,000 were registered in 2018.

<sup>4</sup> Since the 1970s, SCCCU has established 10 local political parties (People's Political Network) at the prefectural level and about 370 local council members have been elected in both prefectural and municipal elections. See [Japan People's Political Network](#) (2021).

<sup>5</sup> [Seikatsu Club](#) (2020).

<sup>6</sup> [Co-op Mirai](#) (2020).

youth, culture and arts, sports, education, science and technology. **Associations** are involved in activities related to community revitalization, elderly welfare, employment and public health.<sup>7</sup>

Legal reforms in 1998 and 2008 distinguish between several forms of non-profit corporations. They include SNCs, which can be formed by 10 or more citizens, and can operate in any of 20 specific types of voluntary activity. Today, over 50,000 SNCs are present in almost all municipalities. Most work in the area of healthcare, medical care and welfare. Over 20,000 SNCs work in each of four other areas: social education, child welfare, liaison work and intermediary support, and community development. Many also engage in activities related to science, culture, arts and sports, as well as natural environment, and vocational skills and employment.

Various sources of funding exist for both PICs and SNCs. In addition to membership fees, these include reliance on government subsidies, social business strategies which generate a revenue stream, charity and volunteering. A 2017 survey of 3,471 SNCs revealed that support from for-profit companies is significant, particularly subsidies (45.9 per cent), business collaboration (42.9 per cent) and donations (38.7 per cent) (See Figure 2).

The survey also identified key challenges and constraints affecting SNC operations. These included lack of membership and education (66.9 per cent), diversification of income source (54.2 per cent), lack

of successors (young members) (38.7 per cent) and improvement of corporate management (36.0 per cent).

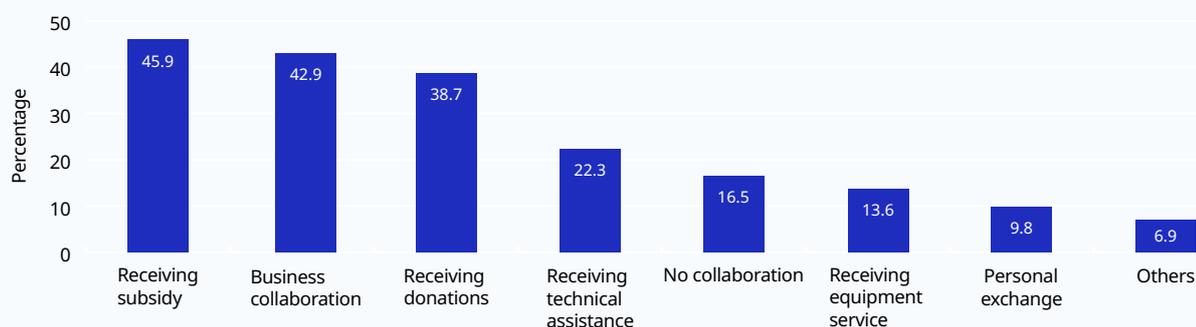
A significant number of PICs and SNCs assume features commonly associated with social enterprises. A 2014 survey of small and medium enterprises and non-profit corporations estimated that 11.8 per cent of existing total legal entities met a set of criteria that characterize social enterprise.<sup>8</sup> This implies that 205,000 entities could be identified as social enterprises.<sup>9</sup> The proportion of PIC associations and SNCs that can be characterized as social enterprises is relatively high – 39.9 and 27 per cent, respectively.

In practical terms, however, it should be noted that not all organizations in these legal forms are operating in ways that adhere to the economic, social and democratic goals or principles stipulated in law.<sup>10</sup>

### Partial hybrid organizations

Of the 169 legal entities that exist in Japan, 19 adopt two of the three (economic, social and democratic) attributes that characterize SSEOs. Referred to within the ILO project as 'partial hybrid organizations' (PHOs), these entities combine different features. Those pursuing economic and social objectives include, for example, Social Welfare Corporations, Incorporated Education Institutions, Elderly Care Service Providers, Medical Corporations, SME Cooperatives and Shinkin (Credit Cooperative) and Rokin (Labour) Banks (see Box 4).

► **Figure 2. Management of SNCs: Relations with For-Profit Companies**



**Note:** Sample survey of 3,471 SNCs in 2017. Multiple answers permitted.

**Source:** Cabinet Office. 2020. *Annual Survey of SNC*.

7 See: Law to Promote Specified Non-profit Activities, Act on Authorization of Public Interest Incorporated Associations and Public Interest Incorporated Foundation. Cabinet Office, *Activity Fields of SNC* (2020); Cabinet Office, *Information of Public Interest Corporation* (2020).

8 Cabinet Office, A Report on the Aggregated Activity Size of Social Enterprises in Japan (2015).

9 Though the survey methodologies are different, Japan's prevalence ratio of social enterprises is considerably higher than the average of 58 countries in the world (Neils Bosma et al., *GEM 2015 Report on Social Entrepreneurship* (Global Entrepreneurship Monitor 2016).

10 Empirical surveys and data reveal that 78 per cent of SNCs and 60.1 per cent of PIC associations do not meet official expectations.

#### Box 4: Rokin Banks

Rokin Banks form a network of 13 union-led cooperative financial institutions operating across Japan and 51,000 member organizations, representing 11 million individuals, primarily low-income workers. They were established in the early 1950s by the trade union movement and consumer cooperatives to enable their members to access finance at a time when workers were excluded from the financial sector. The Rokin Banks are owned and controlled by member organizations, rather than individuals.

Their services have evolved from an emphasis on housing loans and savings plans in the early decades to consumption and education loans. More recently, Rokin Banks have provided vulnerable workers with more affordable loan options and have offered financial literacy training and debt counselling. They have also reached out to non-regular workers and family members of unionized workers, as well as to local communities by lending small amounts to non-profit organizations.

Rokin Banks have proven their ability to adapt in contexts of demographic and technological change, increasing numbers of non-regular and non-unionized workers, competition in the financial sector and climate-related disasters. Key success factors include:

- an enabling regulatory environment
- strong involvement of trade unions at all levels of governance to protect workers' interests
- partnerships with cooperatives, mutual aid societies, non-profits and government institutions, and the capacity to offer easily accessible services and to innovate in a fast changing socio-economic environment.

Source: Akira Kurimoto and Takashi Koseki (2019).<sup>1</sup>

<sup>1</sup> Akira Kurimoto and Takashi Koseki, (Edited by Valerie Breda), *Rokin Banks: 70 years of efforts to build an inclusive society in Japan through enhancing workers' access to finance*, (ILO 2019).

Two other forms of PHOs are indicated in Figure 1. Organizations that do not engage in economic activities but combine the dual features of social mission and democratic governance include Religious Corporations, Labour Unions, Authorized Neighbourhood Associations and entities established as Public Interest Corporations such as Chambers or Associations of Commerce and Industry. Organizations that are engaged in economic activities and were established voluntarily constitute a third form. They include certain for-profit corporations (Joint Stock Companies, Limited Liability Companies, Unlimited Partnership and Limited Partnership).

Many other corporate entities exist that only meet one of the three defining features of SSEOs. Referred to in this research project as "other organizations", they include General Non-profit Corporations (association/foundation), Neighbourhood Associations, various forms of mutual aid associations, Mutual Insurance Enterprises, Social Welfare Committees, Afterschool Children's Clubs, Political Associations and Political Parties.

## Policy challenges and SSE pathways

Japan presents a fertile ground for the ongoing expansion and development of SSE. Key findings from the research include the following:

### *There exists a solid foundation for scaling up SSE in Japan*

A core group of organizations, notably SNCs, PICs and Consumer Cooperatives, provide a strong foundation in terms of the local, regional and national scope and scale of their activities. Furthermore, there is considerable potential for building coalitions and partnerships among these organizations to tackle specific issues, influence policy and foster social innovation. For example, in 2011 more than 600 organizations, including community-level General Non-profit Corporations, SNCs and nation-level PICs, formed the Japan Civil Network for Disaster Relief, promoting various social and community businesses as a creative way to induce post-disaster community revitalization.

### ***Much can be learnt from the model of the Consumer Cooperatives***

Consumer Cooperatives have played an important role in the development of SSE. Their capacity to operate locally, regionally and nationally; adapt and address emerging needs such as care services for the elderly; and form alliances and partnerships with other SSE actors and organizations, including labour organizations and social finance institutions, provides important lessons on how to build and scale up SSE in Japan.

### ***There is potential for systemic change***

There is considerable scope for cooperation, mutual learning and organizational innovation not only among SSEOs, but also with PHOs and other organizations. Beyond the SSE core is a much broader SSE ecosystem comprising organizations that may share some of the values and objectives of SSEOs. Moreover, the experience of public-private-community partnership and synergistic relations between sectors is a crucial aspect of the SSE eco-system in Japan. This backdrop suggests that there is potential for SSE to become a systemic force for change, overcoming one of the major limitations of SSE in many countries, namely, the tendency for SSEOs to operate in just a few sectors or on the margins of the mainstream economy. While SSEOs in Japan are often confined to a narrow range of sectors, the presence of many PHOs suggests the possibility of scaling up significantly a pro-social business and organizational culture. Not only do they operate in diverse sectors of the economy, they also organize at multiple scales (local, regional, national and international).

### ***The regulatory environment could be further consolidated***

Whether or not this potential can be realized depends crucially on an enabling regulatory environment. Just as the state facilitated the expansion of Consumer Cooperatives, SNCs and PICs, it could enable the capacity of the broader enterprise sector to pursue social and democratic objectives. The recent adoption of the [Workers' Cooperatives Act by the Diet](#) in December 2020 is an encouraging development. Policy makers could pay greater attention to the potential trade-off between SSE development and certain forms of deregulation favouring conventional for-profit business objectives and market relations. It is also important that the regulatory environment foster not only the 'social' dimension but also the 'democratic' dimension of SSE, which can be overlooked.

### ***International norms and good practices can facilitate social and policy innovation***

Just as concepts and innovations from abroad have shaped SSE and public policy in the past, they can still play a role today. It is important to learn from and utilize more actively and strategically international norms and good practices. The Sustainable Development Goals (SDGs), for example, can be used to direct attention beyond more abstract goals such as community revitalization or a narrow set of social welfare problems to a broader range of issue areas and indicators that SSEOs can address.<sup>11</sup> It is also important to draw on a wider set of country experiences when examining good practices. Identifying examples of policies and programmes from other countries, particularly from those in the same region, can facilitate social and policy innovation in the Japanese SSE landscape.

<sup>11</sup> See, for example, [RIPES](#); [UNRISD](#).

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