

Social Futures Institute study visit to Tokyo and Yamagata

23rd - 28th June 2008



Introduction

Following a visit to Social Futures Institute in September 2007 by Professors Tomoaki Shibukawa, Tomohito Nakajima, Tokihiko Takatani and Takahiro Aoki, a team of researchers was invited to a return visit to Japan in June 2008 to deliver research papers and undertake study visits of social enterprise in Tokyo and Yamagata Prefecture. This generous and fully funded invitation for Professor Chapman and researchers Judith Brown and Beth Baxter provided the basis for longer term collaboration between the Graduate School, Tohoku University of Community Service and Science and Social Futures Institute at the University of Teesside. All colleagues met on the first evening on arrival in Tokyo for a welcome meal and to renew friendship and look forward to their working relationship over the coming week.

Seminar at the Consumer Cooperative Institute of Japan

The seminar was opened by Akira Kurimoto, Director and Chief Researcher at the Consumer Cooperative Institute of Japan (CCIJ). Kurimoto's presentation explained that the principal role of CCIJ is to undertake research and policy analysis with a view to the promotion and development of cooperatives and social enterprise in Japan. The CCIJ is a member of the International Cooperative Association and has been very active in developing its international links for many years.

Akira Kurimoto explained that the research community on the cooperative sector and social enterprise is still emerging in Japan, and the work of CCIJ is the principal focus of debate on sectoral development. Having recognised the potential for the development of social enterprise in Japan, CCIJ is now developing a

Social Enterprise Study Group. CCIJ has already published a number of translations of key social enterprise texts and has invited prominent researchers from around the world to share ideas including Professor Thierry Jerantet (France), Professor Ian MacPherson (Canada) and Professor Carlo Borzaga (Italy)

CCIJ is lobbying for the development of new legal and institutional frameworks to encourage the development of social enterprise and to strengthen the position of cooperatives. The cooperative movement in Japan has been an important element of the social economy for many years, but in recent years its position has been threatened, particularly so in the case of agricultural cooperatives where restrictions on trading have been limited. The first cooperatives emerged in the late 1800s and have grown in importance, especially so in the last half of the 20th century. Currently there are 24 million members of the consumer corporation, almost three times as many members as the trade union movement. A characteristic feature of the Japanese cooperative movement is its orientation towards consumer cooperatives. As is the case in the UK, worker cooperatives (or collectives as they are known in Japan) are relatively rare.

While there is a reasonably strong legal framework to support the development of cooperatives in Japan, there is minimal support for the development of community grass roots organisations. The situation differs significantly from the UK where government has invested heavily in the development of social enterprise, including provision of a new legal framework to support the development of Community Interest Companies (CICs). Akira welcomed the speakers to the symposium and stated that he looked forward to the further development of a productive dialogue developing between Japanese and UK academics in future as a result of this event.

Associate Professor Atsushi Fujii, Rikkyo University, began his presentation by pointing out that the term 'social enterprise' remains ambiguous in Japan. The term is applied to a number of activities and organisational forms. Often the term is used interchangeably with other descriptors such as 'community business' or 'social venture'. Social enterprise is a concept which has been imported from Europe and the USA, but this has, to some extent, conflated problems of definition as there are different discourses surrounding the value and purpose of social enterprise in different countries.

In Japan, government has shown interest in outsourcing public services to the social enterprise sector. The Japanese equivalent of the UK's Department of Trade and Industry reported recently on

the emergence of 'social business'. This report made it clear that government did not expect to subsidise such business, as is the case in the UK through capacity building funding and core grants, but instead insisted that social enterprises must survive in the market on earned income alone.

While strong emphasis was placed on the advantages of working with the third sector by government in Japan, it is clear that the public sector is strongly favoured in defining social objectives rather than engaging in partnership with other sectors in defining strategy as is the case in the UK through the development of Local Strategic Partnerships and Local Area Agreements.

The principal social objective of government is to tackle social disadvantage by focusing on supporting individuals to re-enter the labour market so as to achieve independence from state support. These policies are also set in the context of significantly reduced state support for socially disadvantaged people. The role of social enterprise from a government perspective is, in short, to fill the gap in support services.

The problem for the non profit sector, and social enterprise in particular, is that their legal status remains blurred in comparison with conventional business. This blurring of boundaries is compounded by increased government interest in US notions of corporate social responsibility (CSR) and 'social entrepreneurship' whereby conventional business modifies its objectives to include social aims – but not necessarily to the point of risking profitability. The US model of the individualist social entrepreneur has become popular in government circles and chimes with conventional notions of CSR in larger Japanese corporations.

From the perspective of non-profits, it is evident that they are disadvantaged in comparison with conventional business as they are disallowed from equity investment and must rely instead on loans. Furthermore, economic support from the public sector is subjected to restrictive rules on its use. Funds cannot be used to support core costs, but instead must be directed solely at front-line service delivery. Consequently NPOs have to develop other forms of trading activity to bolster their income and remain sustainable.

The emergence of social enterprise has been accompanied by change in the orientation of consumer cooperatives in Japan. There has been a shift in emphasis in recent years from the principal of mutual benefit of cooperative members to a wider aim of community/social benefit. These principles have been strongly influenced by European models of social enterprise, particularly in northern Italy. CCIJ is keen to lobby government to develop a legal framework similar to that which exists in Italy to support the development of a strong and sustainable social enterprise sector.

Following the two introductory scene setting presentations by Akira Kurimoto and Associate Professor Atsushi Fujii, Professor Tony Chapman, from the Social Futures Institute, presented his paper '*Identities and differences: why social enterprises make*

it difficult for private, public and voluntary sector organisations to accept them as legitimate business partners'. In the paper, Professor Chapman argued that in the UK, an increasing number of third sector organisations are defining themselves as social enterprises. He explained that this is due to a number of factors including, most importantly:

- (1) a shift in the emphasis of some existing TSOs towards more 'business like' practice due to new entrepreneurial opportunities for social businesses;*
- (2) the changing third sector funding environment which is moving in part towards a contractual relationship;*
- (3) a new legal form, the Community Interest Company, to establish social enterprises;*
- (4) the changing structure of public sector approaches to service delivery which is pushing some former public sector organisations in to the social enterprise sector; and,*
- (5) a changing political environment where left-wing politics is less resistant to mainstream enterprise.*

In recent years, it was explained, the UK government has invested in capacity building in the third sector to increase their ability to deliver public sector services. There has also been significant policy pressure on public sector organisations from Government to encourage the public sector organisations to procure services from social enterprises. To achieve this, government has established, for example, training programmes for public sector commissioners to encourage greater understanding and awareness of social enterprise.

Similarly, local authorities have been encouraged to transfer community assets to social enterprises to strengthen their economic base; and in so doing increase the autonomy and security of social enterprises. There has also been a very significant investment in research, including the establishment of a new Centre for Third Sector Research at the University of Birmingham led by Professor Pete Alcock.

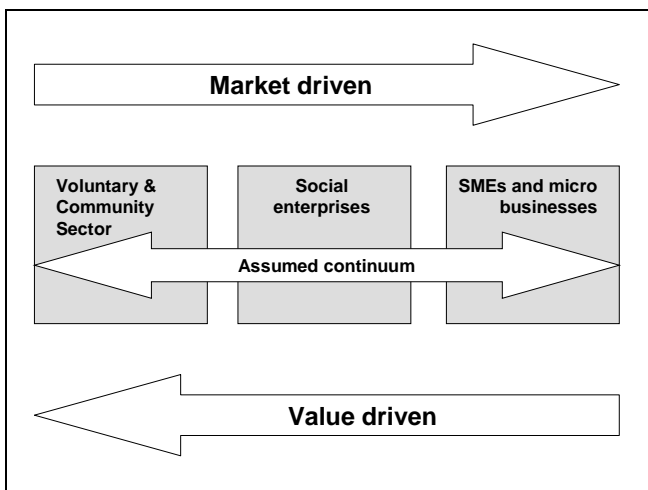
And yet, many of the negative attitudes about social enterprise from members of public sector organisations and voluntary sector organisations remain, as yet, largely unchanged. It was explained that the social enterprise sector itself contributes to this perception by giving unclear messages about its structures, values and objectives. Part of the reason for this is that many TSOs which do (or could) operate in much the same way as social enterprises choose not to define themselves as such. Indeed, there remains much opposition to the idea of social enterprise as being included in the third sector from both within the social enterprise sub-sector and other community and voluntary organisations.

It was recognised that the problem of defining boundaries in the third sector and between it and other sectors needed to be undertaken at a theoretical level. The objective of this analysis was not to try to resolve the problems of clear definition so much as to explain

why such blurred boundaries are endemic and therefore argument about organisational placement will remain inevitable. Much of the argument about social enterprise delivering public services or operating as businesses is self-perpetuating because of the practices of TSO leaders in building (or sometimes damaging) relationships with the public sector and with each other.

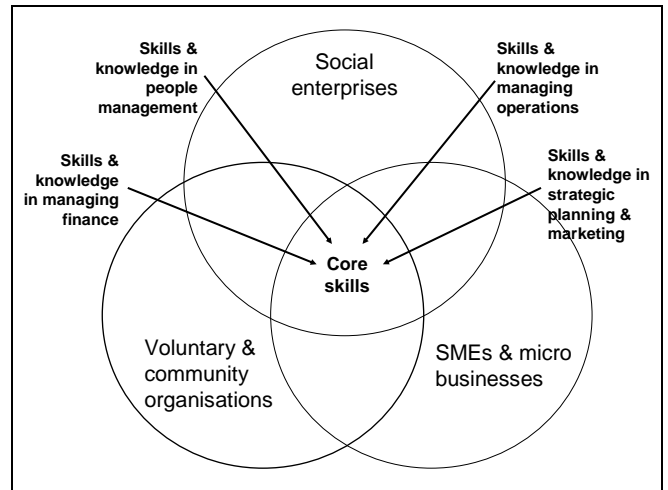
The evidence presented from a study in Tees Valley suggested that the public sector has a poor impression of the ability of social enterprise to deliver public service. This has an impact on the way that procurement officers engage with the sector and in turn affects whether or not they issue contracts or even include them on tendering registers. It was demonstrated that this scepticism about social enterprise may be unjustified, but recognise that such views emanate from rivalries and boundary disputes within the third sector. Professor Chapman's presentation explored the interaction between different value positions and organisational practices in order to show that doubts about social enterprises' ability to deliver public services may often be misplaced.

A presumed continuum in social and business focus in VCOs, Social Enterprise and SMEs



In particular, it was argued that a false continuum between voluntary and community organisations (VCOs), through social enterprise to small and medium sized business enterprises (SMEs) had emerged in discourses about the sector - suggesting that the closer TSOs were to the private sector, the more professional they had become in a business sense. Professor Chapman argued, however, that this continuum was not helpful to understanding because, in reality, many VCOs, social enterprises and SMEs shared the same operational needs and required the same skill sets. Issues surrounding value differences could also be exaggerated by public sector officers who sometimes assumed that leaders of SMEs and micro businesses adopted purely economic business models. Instead, it was suspected that many SMEs were established for other reasons too, such as fascination with product and service development and innovation, the desire for independence from the constraints of corporate employment, and so on.

Common skills and operational needs in VCOs, Social Enterprise and SMEs



The research team's second paper was then presented by Judith Brown, Research Associate at Social Futures Institute, to explore the extent to which third sector organisations in Northern England were actually engaging in trading activities. At the outset, it was made clear that the environment for the development of social enterprise in the UK has never been more positive than is the case now. However, the development of the sector remains relatively slow as is indicated by the limited growth in the development of new social enterprises, transformation of existing TSOs to CICs, and a general lack of ideological drift towards social enterprise in the third sector as a whole. Strong empirical evidence on the growth and health of the social enterprise sector is currently very patchy. As a consequence, doubts remain as to how much social enterprise, and other TSOs are changing in terms of organisational structure, values and objectives.

In the presentation the extent to which the social enterprise sector is actually growing was explored. This is a complex question because definitions of social enterprise are not clear cut. Through the analysis of research evidence in Northern England new findings were presented on how different parts of the sector define themselves and match this against the way their organisations actually operate. This is not a simple exercise because many different variables may be used to define sectoral placement including the level of earned income in TSOs, their legal form, the extent of their business planning, amongst other things.

The analysis drew upon two data sets which have been collected in the last two years. The first relates to a project undertaken for Government Office for the North East (Chapman *et al.* 2006). The second is a study which has since been completed (Chapman and Crow, 2008) for the North Yorkshire Forum for Voluntary Organisations. These two projects adopted a common set of questions on organisational form, size, structure and objectives, together with qualitative questions on strategic planning and assessments of the prospects for individual organisations and the sector as a whole in the future. The complete data set has 827 cases which allows for more complex analysis than has been undertaken before on the relationship between

Organisations tendering for public services

	North East	North Yorkshire
Not aware of opportunities	25.5	16.9
Are aware but against core values	17.5	23.9
Are aware but need more information	17.2	9.9
Are aware but need more support	11.5	12.0
Are aware but put off by barriers	12.9	5.8
Already bidding/delivering contracts	15.2	20.7

The two areas studies have very different economic and spatial characteristics. The North East is a former industrial region, which has been heavily affected by industrial restructuring over the last 40 years. A consequence has been high levels of worklessness and the prevalence of multiple deprivation in former industrial areas. This has resulted in massive government investment in regeneration which has encouraged the support and development of the third sector.

In North Yorkshire, by contrast, the area is largely rural and is relatively affluent, consequently, the area has, by comparison, been under funded by government and the European Community in regeneration programmes. This has led the sector, as shown in Table 1 to be more reliant upon trading. It should also be noted that the third sector in North Yorkshire is also very much more reliant on charitable giving to bolster its resources than is the case in the North East.

It appears from Table 1 that few organisations are actively involved in contracting for public services because they are not aware of opportunities or because they feel it is against their core values. But deeper analysis, presented at the seminar, shows that larger organisations, especially if they are involved in the delivery of front-line services are very active in contracting. Furthermore, the evidence suggests that many organisation which claim that trading activity is against their 'core values' are actually doing so. This strongly suggests a tension in the sector between its ideological preferences as set against its organisational practices.



Seminar audience at CCIJ, Tokyo.

Following the formal presentation of papers, there was a general discussion of the findings from the Teesside researchers and its relevance to the Japanese situation. The main lines of discussion included a debate on the problems of mapping the third sector in both the UK and Japan. It was recognised that there is much more information on the UK third sector, but that evidence on social enterprise remained relatively patchy. Even though there had been a major Department of Trade and Industry study on the state of the sector, it was clear that its size could have been seriously under estimated because of the propensity of other third sector organisations to be involved in such work but define themselves as VCOs.

The critical exploration of the politics of the third sector in the UK came as something of a surprise to Japanese colleagues as an impression had been gained from published literature of greater levels of cohesiveness. It was pointed out that there was a very strong government steer in the UK to develop the third sector and that this was backed by substantial financial investment, but that the history of the sector was complex and its objectives and activities were very diverse, so producing much argument on the direction of the sector as a whole.

There was much interest in the financial situation of social enterprise in the UK and particularly an assessment of the advantages and disadvantages of core and capacity building investment. It was noted that the extent of grant dependency in the UK social enterprise sector may, in some senses, weaken its potential for long-term sustainability. That said, there was much variation within the social enterprise movement in the UK and it was not yet clear which social enterprise activities would be the most enduring. Similarly, it was noted that in Japan there was a need to disaggregate the activities of different parts of the sector, in particular between agriculture, health, employment, retailing and so on.

In the debate that ensued, there was much discussion on the role of social enterprise in supporting people who did not have access to the conventional labour market in Japan, particularly so amongst people with disabilities. A part of the problem for disabled people is that they are often paid below the minimum wage in social enterprises because the organisations' grant funding is too low. There are early signs that this is changing however due to the growing interest in the idea of 'working together' irrespective of disability. It was pointed out that in the UK there had been a move away from the idea of providing workplaces specifically for disabled people. The recent shift in the activities of Remploy is a case in point where factories providing work for disabled people was being phased out. While the political climate to support disabled people into work in Japan is in some senses more positive now, government investment in third sector organisations providing such opportunities has been reduced significantly since 2006, and where investment is made, the conditions of funding is very restrictive.

Case Study 1: NPO Arata

Arata, which means 'a new beginning' in Japanese, was established to provide integrated services for older people and younger people with a wide range of disabilities. Arata was founded as a small community group (the Regional Membership Support System, see below), but has developed into a larger organisation with several properties in addition to its principal base - the group home. There are 32 rooms for older people, some of whom have dementia. At any one time the care home is serviced by up to 20 volunteers under the management and supervision of Mrs Midori. Volunteers include children from secondary school and some children from primary schools.



Arata's aim: to build community with diverse people by developing mutual understanding and consideration, sympathy and cooperation

Provide daily care in an 'at home' atmosphere		Services developed by Arata
Services provided under social insurance for older People	Services provided under welfare Scheme for disabled people	Membership support
		Community transport
Two group homes	Group home	Meals service, salon, sport
Care management	Home help	Welfare map activities
Home help	Support centre	Quasi dementia activity
Day service centre	Day care and club	Training home helpers

A workplace for disabled people aged between 13 and 65 years has also been established. The aim is to help people learn basic skills which are necessary for daily life and to improve communication skills. The objective is to help people build confidence and skills so that they can participate more independently in wider society. Activities include delivering food to older people and providing friendship and company to them. The regional membership support system was originated by Arata. The purpose is to provide daily services for people such as childcare (from infancy), picking children up from school, and providing care to others in the community who need support.

The building was custom designed and built, often with free service from a professional architect and designers. The design and build took three years to complete. The planning of the building was meticulous. To suit the needs of people with dementia, each of the four floors are colour coded to help alleviate disorientation. Each room has a kitchen, bathroom, living area and bedroom which can be cordoned off in the case of double rooms. The safety of residents is assured by the fitting of movement sensors so that privacy is maintained unless somebody is immobilised. All bathrooms are designed for easy access and there is also a therapeutic pool. The communal areas are spacious and well designed, and there is a roof garden with an impressive collection of beautiful bonsai trees which are maintained by volunteers and residents.



Arata provides off-site day services, including care for people in their own homes such as meals and bathing together with on-site day care service. Ten older people use the service daily. The group home takes care of nine older people with dementia (stage one and above). Each person has their own private room and are served three meals each day. Daily activities are organised including day trips. Families and friends are welcome to visit when they want to. We observed people at lunchtime in the group home where they were being served excellent quality food. Care assistants were compassionate and friendly.

Arata provides an excellent example of an enterprising and innovative third sector organisation which does not just provide essential local services but also contributes to the strengthening of community ties as a whole through its outreach work in local neighbourhoods and with the encouragement of volunteers of all ages to engage in community activity. Mrs Midori is an inspirational leader of this organisation who is clearly highly respected by her permanent employees and voluntary staff and has commanded the support of professionals in the area who have contributed to its establishment by offering services at low or no cost.

Official Mayoral Civic Reception and visit to the Prefectural Government

The study team were formally welcomed to the city of Tsuruoka by its Mayor, Yoichi Tomizuka on Thursday 26th June. Gifts were exchanged between Mayor Tomizuka and Professor Chapman. The Teesside researchers were presented with Tsuruoka silk gifts, and the Mayor Tomizuka was presented with historical photographs of Newport Bridge, Middlesbrough, from the British Steel Archive collection to depict the extent of industrial change in Tees Valley over the last 80 years. Following these visits, the research team then visited Shonai Prefectural Government Offices, meeting Takashi Takahashi, Director General, Shonai Area Branch General Administration and his colleagues, Masashi Adachi and Hirosuke Oishi to discuss the similarities and differences in the social and economic make up of Tees Valley and Tsuruoka City



From left: Judith Brown, Professor Chapman and Mayor Yoichi Tomizuka



Top row: Associate Professor Joji Nakaya, Professor Hiraku Yamamoto, Hirosuke Oishi, Masashi Adachi, Takehiro Aoki, Norihiro Kato. Bottom row: Beth Baxter, Professor Tony Chapman, Judith Brown, Professor Tomoaki Shibukawa, Takashi Takahashi (Director General), Midori Saito

Case Study 2: Niji Consumer and Care Cooperative

Niji is a large integrated cooperative organisation which was established to provide employment opportunities in Tsuruoka. This is a crucial role in a city of about 300,000 people which is experiencing both significant population decline through out-migration of young people and demographic ageing.

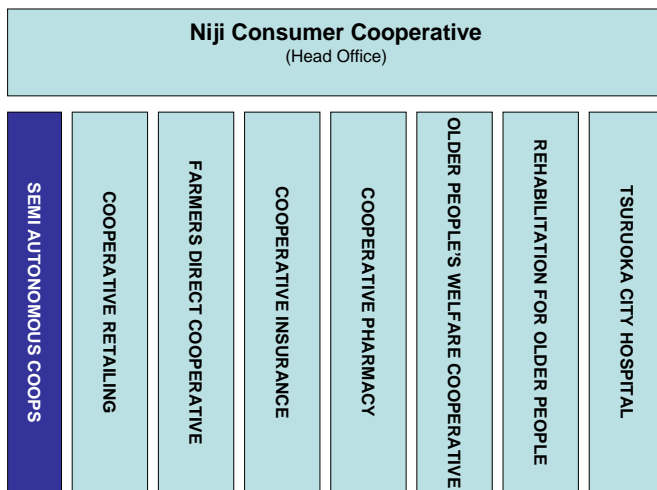
The area's local economy was previously dominated by farming and fishing, but the levels of employment and prosperity of these industries has been in decline for some time so producing limited opportunities for young people in employment terms.



Demographic ageing is growing rapidly in the area. So Niji aims to provide secure long-term care for older people by owning and managing a residential care home for 54 older people which also provides day care facilities. While the care home attracts some government subsidy to keep costs down, it remains relatively expensive.

Consequently, the cooperative has bought a new building in the countryside, a former air bottling plant, and has converted this into housing for older people. The level of service at this location is more limited, for example, no meals are provided, however the rent is much lower as a consequence. A smaller supermarket has also been established here for residents and other local people which plays a particularly important role in winter due to the prevalence of heavy snow falls.

Furthermore, residents can grow their own food on the site, so reducing costs further. Additionally, the cooperative provides care to older people who are living independently. The consumer cooperative originated as a single supermarket and has grown significantly with over 30,000 members. This represents about a half of all families in Tsuruoka City.



and also helps to maintain very low levels of labour turnover.

The cooperative is now planning to develop services in new areas of activity, including the provision of a meals service to older people who live independently, house keeping services, community transport and security.



Niji Consumer Cooperative Care home for older people

The hospital represents a significant part of Niji's operation and provides healthcare facilities for local people. The hospital provides access to some of its facilities to members of the cooperative and the general public, which represents a significant source of additional income. Such facilities include a hydrotherapy pool and a fully equipped gymnasium with fitness and rehabilitation equipment.

The research team were immensely impressed by the scale of the operation of Niji and the range of its activities. The foresight of its leadership in developing new areas of activity represents a strong example of how social enterprises and cooperatives can integrate activities and produce internal supply chains so as to increase revenue and employment and ensure the development of a sustainable organisation.

Interestingly, the limited level of government support for the third sector organisations in the area contributed towards the development of a strong impetus to create innovative practice and to strive for long-term financial independence. That said, it is clear that the organisation would be able to expand its activities further should government be able to provide further subsidy for its operations, especially in the field of health care and support for the elderly.



Niji's Director, Hiromichi Matsumoto explains the purpose of his organisation to the visiting researchers.

A key characteristic of Niji is its strategy to provide integrated services to local people across a range of activities. The cooperative has many elements and serves many different functions, and is a significant employer in the area.

The consumer cooperative retailing arm of the organisation employs about 300 staff, while the healthcare elements of the cooperative employ almost 400 staff, of whom, 200 work in the hospital, 100 in healthcare and rehabilitation services, 50 staff in pharmacies, and 20 providing welfare for older people. To manage the complex functional relationship between these semi-autonomous organisations and to provide services to them, the central umbrella organisation also employs 200 people. Niji provides training to staff in its own premises which builds the skill base in the area

Symposium at Tohuko University of Community Service and Science

The research team were welcomed by Masahiro Kuroda, University President and Vice President, Professor Mieko Oshima and Tsunehiko Otoshi Dean of the Graduate Programme, together with Professor Shibukawa and Associate Professors Dr Joji Nakaya and Mariko Takeda. After a tour of the new university buildings and neighbouring attractions including the Shonai Hanko Chidokan, the visiting researchers were welcomed at the symposium by a large audience of academics, practitioners, policy makers and representatives from the local press.

The symposium was introduced by Vice President Mieko Oshima, followed by presentations by Professor Chapman, Judith Brown, Beth Baxter from the University of Teesside and by Professor Shibukawa and Hiraku Yamamoto, Professor of Political

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Informatics, Tohoku University. The session was expertly translated by Assistant Professor Dr Tomohito Nakajima, Sanno University.

The symposium heard about the history of the third sector in the UK by Professor Chapman together with an appraisal of the development of social enterprise over the last few years and its potential for the development of sustainable communities in areas affected by long-term economic and industrial restructuring. Judith Brown gave a talk on two studies of social enterprise and development in the North East of England and in North Yorkshire undertaken by the researchers at Social Futures Institute.

This talk demonstrated how the third sector has become more involved in front-line service delivery of public sector contracts and how the sector was planning for future developments. Professor Shibukawa gave a talk on his study of social enterprise in Japan and on the linkages being developed with studies in at Social Futures Institute following a visit to Middlesbrough, UK in September 2007 with colleagues Tomohito Nakajima, Tokihiko Takatani and Takahiro Aoki. After questions from the floor, the symposium was closed and the visitors were welcomed to a closing celebration of their visit in the University.



From left to right: Beth Baxter, Judith Brown, Tomohito Nakajima, Professors Chapman, Shibukawa and Yamamoto and Mrs Midori.



For more information about the work of the Third Sector Development Unit at Social Futures Institute, please contact

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