

Article

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Work Integration Social Enterprises for People with Disabilities in Japan

DOI 10.1515/npf-2016-0006

Abstract: This paper is divided into two interrelated sections. The first part provides a historical analysis of three relevant policy regimes and discusses how these have affected the emergence and development of Work Integration Social Enterprises (WISEs) in Japan. The second part of the paper draws on the findings of a qualitative study of 18 WISEs to identify and characterize different models of WISEs in Japan. Three major dimensions were observed: i) social goal of the organizations; ii) organizational strategies; iii) governance structure. This paper should be viewed as a first attempt to build knowledge about emerging, or already well-established, social enterprise models in Japan. This, in turn, could foster international comparative analysis between Japan and other developed countries.

Keywords: WISEs, Japan, policy regimes, historical analysis, models, semi-structured interviews

Introduction

Existing scholarship (Borzaga and Defourny 2001; Nyssens 2006 among others) has defined social enterprises as collective public-benefit organizations that pursue the satisfaction of social needs through the provision of general interest services. They are characterized by the imposition of at least a partial non-profit constraint and the accumulation of assets must be protected by an asset lock. Social enterprises frequently are found to have multi-stakeholder memberships, since their governance structures involve diverse types of stakeholders (Laratta et al. 2011). However, depending on the incorporation laws of the country, social enterprises can be created by nonprofit, for-profit, or government host organizations. Social enterprises can have bureaucratic or participatory governance

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structures. The resources created by social enterprises, profits for example, can be distributed to owners, investors, consumers, the community in which they are embedded, a recipient group outside of the social enterprise, or be returned to the operation of the host organization. This range of structural options allows social enterprises to tailor their operation to the particular social purposes of the business (Laratta et al. 2011).

“Work integration social enterprises” (or WISEs) constitute the largest type of social enterprise in Japan (Laratta et al. 2011). As of May 2012, it was estimated that there were over 1900 WISEs (Welfare and Medical Service Agency 2012). We expect this number to have doubled in the last four years, though we do not have the precise number. These organizations focus on the employment of disadvantaged people. In Japanese WISEs this includes those with disabilities (physically, mentally and intellectually) and to a lesser extent the long-term unemployed.¹ WISEs act as cooperatives² with the objective to integrate disadvantaged people into society by providing them with work opportunities.³

There is not yet a legal framework for social enterprises in Japan. In 2010, the Bill on Social Enterprises was about to be submitted, but failed to be approved due to lack of support. Furthermore, a lack of discussion among the public, and a vague understanding of the role of those organizations at the institutional level, makes the notion of social enterprises ambiguous, has resulted in an underestimation of their social, economic and political contribution and has hindere their development to date.

1 Disabled people in Japan represent the most excluded group of people, and many WISEs act to promote their social inclusion. Only 5.4 % of the 7.4 million disabled are employed in the mainstream labor market (Cabinet Office 2010; Ministry of Health, Labour and Welfare 2009). Until May 2012 there were about 2000 WISEs who were working on this issue (Welfare and Medical Service Agency 2012). This is the reason why Japanese WISEs have mainly disabled people as their employees. The situation seems to be different for EU WISEs: over 40 % of employees in those organizations are long-term unemployed who struggle to get hired. Multiple studies show that long-term unemployed applicants are only half as likely to be considered for hiring compared to others with identical education and experience, even though evidence demonstrates that they perform just as well on the job (Borzaga and Defourny 2001).

2 The International Co-operative Alliance defines cooperatives as an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

3 This form of organization can also be found in other countries. For example, in Italy WISEs are known as *B-Type social cooperatives*; in Portugal it is called *cooperativa de solidariedade social*, in Spain it is named *cooperativa de iniciativa social*, in Greece it is called *Koinonikos Syneterismos Periorismenis Eufthisis*, or *KoISPE*, and in France it is known as *société coopérative d'intérêt collectif*, or *SCIC* (Defourny and Nyssens 2008). All those forms are incorporated in their respective countries' laws.

A broad and precise view of most WISEs models as they are emerging across Japan is still lacking. In addition to the fact that research on WISEs is rather recent, at least two other major reasons explain the absence of such an overall view. Firstly, the concepts of social enterprise can have different meanings in different contexts or for different schools of thought (Laratta 2016; Laratta et al. 2011). Secondly, much of the existing literature has relied so far on case studies, especially to highlight achievements of outstanding social entrepreneurs, presented as heroes (Bornstein 2004, among many other authors). As a consequence, only a few countries (such as USA, UK, Italy) have witnessed attempts to define, describe and analyze the whole landscape (or a great deal) of social enterprise at a national level. Japan is one of those developed countries where the social enterprise field has neither been defined nor analysed in any great depth (Laratta et al. 2011).

The objective of this paper is twofold. First, by drawing on secondary data and partly on a recent quantitative study that the authors conducted among 350 Japanese WISEs, it will provide a historical reconstruction of the changing policy regimes and how these have affected the development of WISEs in Japan. Second, by reporting the findings of a qualitative study of 18 WISEs, selected by the authors from a sample of 350 participants of a survey completed ?, it will identify and characterize major models of social enterprise in Japan. This qualitative study analyzed three dimensions of these WISEs: i) *social goal of the organization*; ii) *organizational strategies*; iii) *governance structure*. Those dimensions emerged as the three aspects for which policies have had an impact on WISEs.

This paper should be seen as a first attempt to build knowledge about emerging or already well-established social enterprise models in Japan. This, in turn, could foster international comparative analysis between Japan and other developed countries where scholars have already studied the social enterprise field in greater detail. Furthermore, the long-term goal of this research is to build a database of SE models in Japan, including indicative case studies for each identified model. The findings of which can be used in the future efforts of the Japanese Government to develop a regulatory framework which would be supportive of a sector considered to be in expansion (Laratta and Nakagawa 2016). In fact, many of these WISEs often end up registering as non-profit or as small/medium enterprises and those legal forms do not reflect their hybrid nature (i. e. organizations who engage in selling goods/services – typical of an enterprise – for a social aim – typical of a non-profit or charity), consequently having to operate in a less supportive regulatory environment compared to their non-profit or for-profit counterparts (Laratta et al. 2011).

Methodology

Two fundamental questions guided this study of Japanese WISEs:

- (a) *What types of policies have affected the emergence of WISEs in Japan and how those have impacted on their development?*
- (b) *What models of WISEs can we identify and characterize in Japan?*

The first question was addressed through an extensive review of official documents and also secondary data including the results of a on 350 WISEs undertaken by the authors between 2011 and 2013 and partly published in Laratta (2016). A key finding of this review was that three types of policies had impacted WISEs in Japan. The impact was most notable in three dimensions of the WISEs: 1) *their social mission* (i. e. the social goals/aims); 2) *their operational strategies* (i. e. the plans for achieving work integration for the disabled users); 3) *their governance structure* (i. e. the ways decisions were taken in those organizations).

Significant factors were identified during the analysis of the quantitative data derived from this survey of 350 WISEs:

- i) *The production and sale on the market of goods and services* – The majority of WISEs surveyed (82%) were found to engage in the production and sale – on the open market – of goods and services.
- ii) *Involvement of various types of stakeholders in the decision-making processes of governance* (“multi-stakeholder” approach), derived both from the pursuit of different kinds of objectives (economic, social, and political), and from the variety of resources employed – The majority of WISEs (98 %) surveyed were found to use not multi-stakeholder approach, instead it was found that decisions in those organizations were taken mainly by the board of directors and there was no general assembly or any other decision-making bodies involved.
- iii) *Financial autonomy*, by reinvesting any profits back into the activity – It was noted that the majority of WISEs (over 75 %) were financially dependent on public subsidies.
- iv) *The taking on of enterprise risk in the performance of their activity* – It was noted that the majority (97 %) were not innovative at all and were not taking enterprise risk in the performance of their activities.

In the 72 % of the 350 surveyed WISEs, these four significant factors were found to be overlapping.

The findings from this review allowed the authors to develop a hypothesis that data on these three major dimensions would particularly inform on possible

models of WISEs. To map WISEs on the basis of those three dimensions a series of semi-structured interviews was conducted with a random sample of 18 of the 72 % that shared the abovementioned overlapping factors. The selected WISEs were found to be located in Sapporo, Tokyo, Shiga and Minoo, which are considered among Japanese social enterprise scholars to be pioneering locations in terms of active WISEs as well as policies for employment of the disabled (Table 1).

The qualitative part of the study took place in the summer of 2014, approximately a year after the completion of our survey on the 350 WISEs. Executive directors of the 18 WISEs were asked a number of questions along the three dimensions mentioned above (Table 1).

Table 1: Names of the 18 WISEs.

Name	Abbreviation
Supura	SU
Pao	PA
Sapporo Challenged	S
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

Source: Developed by the authors for this study.

Policy Regimes & the Development of Japanese Wises

This section highlights the background and development of WISEs and considers the situation for, and the legal frameworks that support, disabled people and enable them to integrate into society and the workforce. Three types of policies

have impacted the development of Japanese WISEs (Laratta et al. 2011). These policies have different targets: a) *service provider*, b) *work integration* and c) *mentally disabled persons*.

Type A: “Service Provider” as Target

Since 1951 local governments, QUANGOs, and social welfare corporations have monopolized services related to welfare and human rights of the disabled in Japan. However, these services did not always achieve social integration of the disabled. The number of vocational support centers was limited and only disabled people who had a viable chance of returning to a normal life benefited from them. Besides, these centers were established in remote places (Nishio 1986; Suzuki 1983). Most disabled persons remained at home. It was against this background that in the 1960s, WISEs emerged. Their objective was to provide vocational training and work for the disabled in local communities and encourage disabled people to interact with other people in their hometowns. In 1977, the Association for Small Workshops (*Kyosaren*) was established. This organization arranged 16 workshops on exchange with local communities. In 1981, the Association for Tackling Exclusion (*Kyodoren*) was created by WISEs. Their purpose was to build new social and economic systems and to spread social cooperatives in Japan. Such action triggered the development of a new wave of Japanese WISEs after the 1980s (Ministry of Health and Welfare 1981). Some local governments offered subsidies to these WISEs. However, despite this financial help, many WISEs were not able to pay their disabled workers enough to make a living. According to the Research Committee for Systems and Support for Work Integration of the Elderly and the Disabled (2000), some WISEs who managed small workshops paid their workers no more than \$125 a month. However, this situation changed when a need for services, government financial difficulties and the necessity to improve the quality of services coupled with a public expectation toward the third sector as a new provider. In 2006 the Japanese government implemented the Act on Services and Support for the Disabled (*shōgaisha jiritsu shien hō*), which enables WISEs to engage in two service categories. . The first category is the Transitional Support for Work. This service is twofold: a) for disabled people who hope to work in for-profit companies; and b) for disabled people who acquire a qualification to start a new business or work from home. These transition services are limited to disabled people under 65 years of age and integration into the mainstream labor market must be completed within two years. The second category of services is named Continuative Support for Work. Unlike the Transitional Support for Work, there

are no time limits stipulated in this Act. Rather it distinguishes two types of targets: 1) A-Type targets disabled persons under 65 years of age and stipulates an employment contract with them; and 2) B-Type provides a service for all disabled regardless of age and does not demand an employment contract.

Type B: “Work Integration” as Target

The Japanese government established the *Shōgaisha koyō sokushin hōritsu* (Act on Employment Promotion of the Physically Disabled) in 1960. The Act introduced the first quota system in Japan. However, it had some defects. First, it only applied to the physically disabled. Second, the achievement of a specific quota was not binding. Third, the quota system was complex and difficult to understand. Fourth, the lowest wage defined by the Act on Minimum Wages did not apply to the physically disabled employees, which made integration difficult. In 1976, the government revised the Act. The percentage of employees with disabilities in the workforce in national and local governments, for-profit companies, and QUANGOs was now mandatory. Originally, the target of the quota system was limited to the physically disabled; however, in 1987 people with learning difficulties were also included. Those with mental disabilities have long been excluded from the Act; only in 2006 an amendment to the Act obligated employers to hire people with mental disabilities. Non-compliance with the law would lead to the publication of the names of the companies on a black list as “non-cooperators for work integration.” In 1977, a System of Payment for the Employment of the Disabled was enforced which imposed a penalty of \$625 per month on for-profit companies for not meeting the quota. Companies that achieved the quota were awarded a sum of \$337 a month. The System of Payment for Employment of the Disabled was extended to for-profit companies with more than 201 employees. The government also introduced Employment Support in 2003. Job coaches help disabled employees to develop communication and work skills. They also advise employers on the effects of mental disorders on work. In 2009, 1,061 job coaches worked with 3,100 disabled persons (Ministry of Health, Labor and Welfare 2009). Disabled workers also benefit from a *Tokurei kogaisha no shisutemu* (System of Special Subsidiaries) which was established by the government in 1976 and consists of a number of limited companies with an overall workforce of more than 20 % disabled and with special facilities for disabled employees such as barrier-free buildings and highly trained instructors. Firms can establish special subsidiary companies as their affiliates through obtaining authorization from the Ministry of Health, Labor and Welfare. The number of special

subsidiaries has increased; in 2013, there were 378 special subsidiaries in the nation (Ministry of Health, Labor and Welfare 2013).

Type C: “Mentally Disabled Person” as Target

Before WWII, people with mental disabilities were mostly kept at home. With the establishment of the new Constitution in 1947, the national government promoted public health, and in 1950 the Mental Hygiene Law [*Seishineisei Hōritsu*] was enacted. Public mental hospitals were established in each region. The government subsidized mental hospitals operated by the Third Sector. In 1987, the Mental Hygiene Law was revised and changed to the Mental Health Law [*Seishinhoken Fukushi Hōritsu*]. The purpose of this new law was to protect the human rights of the mentally disabled and promote their re-integration into society. In 1993, group homes were legislated for and the Center for Promoting the Returning of the Mentally Disabled to Society was established. In 1995, the name of the law was changed again to the Law related to Mental Health and Welfare of the Person with Mental Disorders. Under the new law, vocational support centers and centers to support community life of the mentally disabled were advanced. Furthermore, home service for the mentally disabled was expanded.

The Impact of Policies on WISEs

How did Those Policies Impact on the Development of WISEs?

Firstly, the *Act on Services and Support for the Disabled*⁴ has impacted strongly on the financial sustainability of WISEs. This is a finding that emerged clearly from the survey of 350 Japanese WISEs between 2011 and 2013. In fact, the latter showed that more than half of WISEs’ annual revenue comes from governments under the mentioned Act. However, it should be stressed here that the Act does not bring financial benefits exclusively for WISEs; the Act applies to all service providers for the disabled, regardless of whether they are non-profits or for-profits. Furthermore, under the same Act, the more WISEs that engage in service provision for the disabled, the bigger their annual income. As a result thereof, some WISEs are so busy doing paperwork (inter alia related to government’s funding) and responding to their many service users that they do not have time

⁴ In 2013 the name of this Act was changed to “Act on Comprehensive Services and Support for the Disabled”.

to practice participatory governance and implement activities to spread solidarity. Indeed, the surveyed WISEs warned that an increasing number of WISEs are facing a situation in which their activities are being jeopardized by a change of internal practices that tend to push them to perform as for-profits. It is supposed that WISEs who 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 are therefore freer for spreading solidarity. However, many surveyed WISEs underlined the need for more funds, despite the fact that this could put them under pressure. According to the survey, around 80 % of the 350 surveyed WISEs had an income of less than \$500,000 annually. Thirty-five percent of them even operated with less than \$200,000 annually. Thus, Japanese WISEs are clearly facing a dilemma: either they prioritize an improved income, or they maintain and preserve the specific characteristics of the social enterprise.

Secondly, the *Act on Employment Promotion of the Physically Disabled* is also having a greater pressure on the WISEs to absorb a cohort of the workforce that other firms do not wish to deal with. For example, the recent public naming of one non-cooperating for-profit company is thought to have applied considerable pressure to other companies to renew their efforts to increase their own quota of disabled employees. From the survey among the 350 WISEs, it emerged that some WISEs consider that the number of for-profit companies consulting with them is increasing year by year; on the other hand, others expressed an opinion that it is not enough to achieve work integration. They also indicated that many of the bigger for-profit companies would rather bear the financial penalty than take on disabled workers and have therefore not tackled work integration seriously. Of particular concern was the claim by one of the respondents that most of the disabled workers taken on a particular “special subsidiary” are given part-time jobs that are not related to the parent company’s business.

Finally, in spite of the *Law related to Mental Health and Welfare of the Person with Mental Disorders*, many firms stipulate mental disorders as one of the justifiable reasons for dismissal in their office regulations. In our survey WISEs, supporting the mental disabled, suggested that many mentally disabled people are forced to either enter hospitals or remain at home because Japanese society is still lacking the right understanding and preparation for accepting those people.

Results & Discussion of the Qualitative Study

It became clear from the historical analysis of these policy regimes that WISEs were impacted from three different perspectives: 1) their social mission (i. e. the

social goals/aims); 2) their operational strategies (i. e. the plans for achieving work integration for the disabled users); 3) their governance structure (i. e. the ways decisions were taken in those organizations). Therefore, for the qualitative part of this study we relied on the hypothesis that data on these three major dimensions would particularly inform us on possible models of WISEs. These dimensions were explored through a series of semi-structured interviews with a sample of 18 WISEs and allowed for the identification of four models of WISEs..

Social Goals

As showed in Figure 1 below, all interviewed WISEs expressed at least one of the following social goals or aims:

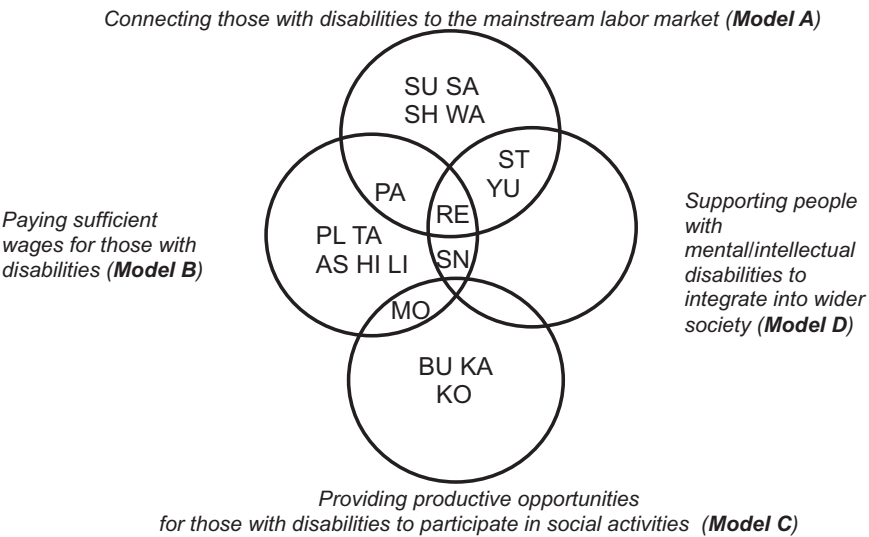


Figure 1: Social goals of the 18 WISEs.
Notes: (1) See Table 1 for legend. (2) This figure is based on the work of Defourny and Nyssens (2006).

1. To connect the disabled with the mainstream labor market;
2. To pay enough wages for the disabled as a final employer;
3. To provide productive opportunities for the disabled to enjoy social life;
4. To support specifically mentally disabled people to come back into society.

The majority of WISEs identified goals 1 and 2 to be their main purpose. However, some WISEs identified as having more than just one of those social goals. For example, RE expressed a commitment to three of those four social goals in their mission.

Organizational Strategies & Governance Structure

The findings also showed that WISEs who had a specific social goal presented similar characteristics in terms of organizational strategies as well as governance structure. To facilitate our comparative analysis between those WISEs we labeled them as Models A, B, C and D.

Model A

As illustrated in Figure 1 above, WISEs in this model aim to connect the disabled with the mainstream labor market. To achieve their goal, they undertake varied organizational strategies. For example, *SU* and *PA*, located in Sapporo, Hokkaido, provide opportunities for the disabled users to work in for-profit companies as trainees and part-time workers. *SA* and *SH* teach their disabled users high level 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. *WA* dispatches job coaches to the for-profit companies where the disabled users work and these coaches, in turn, advise employers about the most suitable assignments for the disabled workers.

Although they use different approaches to achieve their goal, all of these WISEs attach importance to building relationships with for-profit companies and providing careful support for individual disabled users. For example, *SH* 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. *SH* 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 *SU*, 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 *SH*, *SU* also facilitate the disabled's work tasks 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 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 this type of WISE. For example, *PA* has 43 staff members and no volunteers. By contrast, *SÅ* 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 *SA*, whereas, in the other four WISEs in this category, around 75 % of the income comes from public subsidies. The average current income among the five investigated WISEs is \$1.1 million per year.

Model B

WISEs of the second type are the “final employers” of the disabled workers – i. e. the WISE is not meant as a transitional employer or as a “bridge” to the mainstream labor 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 who challenge 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 stores, pastry shops, printing, cleaning facilities and posting of advertisements. All these WISEs concentrate on enhancing the quality of their products and services which, in turn, results in increasing. For example, *PL* increased the number of flavors used in cookies and cakes to 30 because they found that with fewer flavors the sales, of their products decreased drastically. *PL* also made several visits to the individuals 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, *PL*’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 *TA*, the disabled and staff share their opinions on the most efficient ways to encourage people to visit their shops. *TA*’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, *AS* sells organic and natural products in a shop and delivers them to the 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 *HI*, 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. *HI* 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 *LI*, 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 *LI* limits the control of the decision-making to only those people who are directly involved in the establishment and management of the organization, everyone living in that community and interested can participate in the general meetings of the organization.

For this type of WISE, the disabled are important workers. Therefore, some WISEs encourage the disabled to earn money to live independently like their abled colleagues. On the other hand, other WISEs, like *AS* and *LI*, 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, *PL* hires 16 staff members, but there are at least 130 volunteers who undertake administrative work and manage the organization of events for the disabled. *LI*, 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 *TA* 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 *LI* is \$2.7 million and around 50 % of this comes from public subsidies (around 20 %) and earned income (around 30 %).

Model C

WISEs in this third category provide on site 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, those

WISEs offer carefully selected work that the severely disabled can pursue, such as craftwork. In one of those organizations, *BU*, 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 *KA*, the disabled users engage in making postcards. *MO* provides sub-contract work like folding leaflets and putting stickers. *MO* allows disabled workers with severe conditions to come to the office, 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, *KO* is managed by an association of families with people suffering from higher brain dysfunction. This type of WISE is open to local residents. In *MO*, the Board includes local residents as well as founding members, staff, families and disabled users. In *KA*, 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 *KA*.

MO 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, *MO* 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.

Model D

WISEs in the fourth category aim to support those with mental and intellectual disabilities 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 craftwork and sports and encourage them to participate in self-help groups. As the persons with mental disabilities 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, *ST* operates a recycle shop in a shopping street. *SN* provides home help services such as cleaning and shopping for local residents, and driving them to hospitals. *YU* and *RE* 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 WISE. The disabled users are called “members”, and they have a decision-making power for the determination of 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 *SN* at no cost. In the case of *ST*, Setagaya ward office organizes bazaars for WISEs regularly. However, some of these WISEs want to evolve towards a different funding mix. *RE*, 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 become familiar with the processes of raising funds from the Japan Fundraising Association, a non-profit organization (Table 2).

By referring to the work of Evers (1995), we could argue that the characteristics of these WISEs are shaped by, and simultaneously shape, the respective influence of government, market and the community. For this reason, sometimes it is hard to draw a clear line between WISEs and other sectors. This argument is in line with some European third sector scholars such as Defourny and Pestoff (2008: 8) when they talk about “behavioral tensions within the third sector organizations which give a polyvalent and hybrid nature to those organizations”. To illustrate the hybridity of those organizations as well as the types of tensions, scholars such as Evers (1995) and Pestoff (1998 & 2005) have proposed a “welfare triangle” representation where the third sector is configured as an intermediary sector intimately interrelated with the state, private for-profit companies and the informal sector.

The four mapped models of WISEs are located within this “welfare triangle” (See Figure 2 below).

Overlapping areas were found between: 1) WISEs and the Market; 2) WISEs and the State; 3) WISEs and the Community. For example, WISEs in Model A operate generally like for-profits and they deal with some companies on the

Table 2: Summary of the four models of WISEs.

WISEs	Social Goal	Organizational Strategies & Governance Structure.
Model A	Connecting the disabled with the mainstream labor market	1) Helping 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 2) Main founders are people with experience of working in for-profits 3) Board members are founding members and their acquaintances 4) Local residents do not participate in decision-making processes 5) The size of workforce and structure of income is different among WISEs 6) Average annual income is \$1.1 million
Model B	Increasing wages for disabled workers as final employer	1) Implementing a wide range of business activities such as agriculture, retail store, pastry shops, printing and posting of advertisements 2) Main founders are people who very concerned about low wages of the disabled and who wish to create a society in which all people can live with dignity 3) Management style is open to various people 4) Some WISEs distribute money to the disabled workers for solidarity 5) The size and structure of the workforce and the income is different among WISEs 6) Annual income ranges from \$420,000 to \$2.6 million
Model C	Providing opportunities in production for the disabled to enjoy social life	1) Offering piecework done at office and craft work for the disabled 2) Main founders are family members, the disabled and public officials in charge of issues concerning the disabled 3) Families influence management and governance 4) Local residents have decision-making power as board members and volunteers 5) 7 staff and 6 volunteers work on average 6) Average annual income is \$323,000 and most of this comes from public subsidies.

(continued)

Table 2: (continued)

WISEs	Social Goal	Organizational Strategies & Governance Structure.
Model D	Supporting mentally disabled persons (as well as alcoholics) to return to society	1) Providing services for local residents and building relationships with communities 2) Main founders and managers are psychiatrists, social workers and health workers 3) Disabled users have some decision-making power 4) Number of staff is around 10 and there are no volunteers 5) Average annual income is \$435,350 and around 80 % of this comes from public subsidies.

Source: Developed by the authors for this study

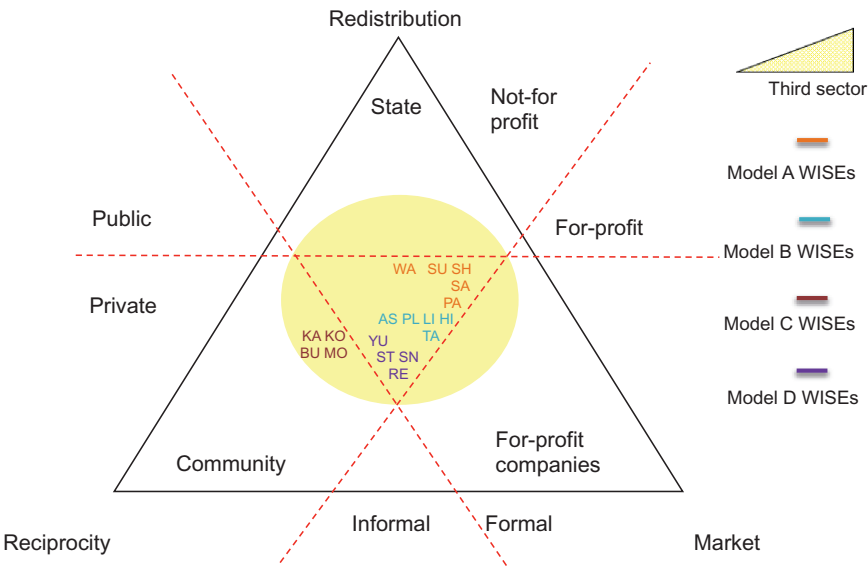


Figure 2: Position of WISEs in the welfare triangle.
Notes: (1) Please see Table 1 for legend. (2) Japanese WISEs were mapped on the basis of the welfare triangle introduced by Victor Pestoff (1998, 2005).

basis of an 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. Also WISEs in Model B act as enterprises in the formal economy; two sub-types can be distinguished among enterprises 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 in Model C are community-oriented and their economic activities are quite informal because they focus on promoting reciprocal help among the concerned persons. WISEs in Model D are also oriented to the community; however, unlike those in Model C, they implement formal economic activities through the provision of services for local residents and participation in economic associations.

Conclusion

Japan is one of those developed countries where the social enterprise sector is evidently in expansion (Laratta et al. 2011). However, it has neither been well defined nor fully analyzed yet (Laratta 2016). This is particularly true when we look at Japanese WISEs. The research on this particular type of social enterprise is confined to only few scholars and within those our work is still the most relevant in the field (Laratta 2016; Laratta and Nakagawa 2016, Laratta 2015, Laratta and Nakagawa 2014; Nakagawa and Laratta 2013; Laratta et al. 2011, etc.) Japanese people, as well as their political institutions, have little understanding of what a WISE is and the enormous contribution these organizations are providing for the political, economic and social systems of the country.

The Japanese social enterprise sector has never been mapped, so there is no clear idea on how many models of social enterprises are currently operating in this country. This alone explains the lack of comparative studies between Japan and other developed countries around the world. More importantly, this is used as a reason for the Japanese Government to refrain from implementing a regulatory framework for the social enterprise sector. As a consequence of the lack of regulatory framework, Japanese social enterprises often end up registering as non-profit or as small/medium enterprises. Those legal forms do not actually reflect their hybrid nature, consequently having to operate in a less supportive regulatory environment compared to their non-profit or for-profit counterparts. This paper should be seen as a first attempt to define WISEs, considered a dominant part of the Japanese social enterprise sector (Laratta 2016).

The historical review reported in the first section of this paper provides a new understanding of the types of policy regimes and how those have affected the emergence and development of WISEs in Japan. One of the key findings from this first analysis was that policies implemented under the *Act on Services and Support for the Disabled*, the *Act on Employment Promotion of the Physically Disabled*, and the *Law related to Mental Health and Welfare of the Person with Mental Disorder* respectively had positive and negative impacts on the development of WISEs from three different dimensions: 1) social goals; 2) organizational strategies in achieving work integration for the disabled; 3) governance structure. For example, the *Act on Services and Support for the Disabled*, considered to be the most relevant among the three mentioned above, has contributed substantially to the financial sustainability of WISEs in the country. At the same time, however, this same Act is having a negative impact on those organizations by promoting among them competition and, consequently, a commercialization of their practices against their natural social mission of spreading solidarity. In fact, over half of WISEs' annual revenue comes from governments (under this Act) and this sometimes puts them under government accountability pressures in the forms of audits and monitoring visits. An increasing number of WISEs are facing a situation in which their activities are being jeopardized by a change of internal practices that tend to push them to perform as for-profits.

The second part of this paper discussed findings of a qualitative study of 18 WISEs. This study identifies and characterizes 4 major models by looking specifically at the nature of their social goals, their organizational strategies and their governance structure. Four distinct categories of social goals were identified among those WISEs: 1) To connect the disabled with the mainstream labor market, 2) To pay enough wages for the disabled as a final employer, 3) To provide productive opportunities for the disabled to enjoy social life and 4) To support specifically mentally disabled people to re-enter into society. WISEs, whose social goal was to connect the disabled with the labor market (categorized as Model A), were much more professionalized compared to the others. They were fully operating in the market and were seeking profits. Their founders were actually people who had experiences in for-profit organizations. The local community was not involved in their decision-making processes. Also those WISEs who acted as the end employer for the disabled users (categorized as Model B) were found to be fully operating in the market and acting as for-profit organizations. However, those WISEs were practicing a management style that was open to various people, including the local community. Their founders were mostly ordinary people who felt it unjust that the disabled should work for a lower wage, so they were working to change this situation in their organizations. WISEs working for the enjoyment of social life of the disabled users (i. e. those in

Model C) were definitely the ones more oriented toward the local community. Their founders were family members of the disabled and local public officers. Those WISEs were totally open to involving local residents as well as other local partners in their decision-making processes. Also WISEs who specifically work with mentally disabled people (i. e. those in Model D) were community-oriented, however they were mostly founded and managed by a group of professionals such as psychiatrists and social workers who tended to have the full control of the organization.

Further research is needed to understand whether those four models of WISEs can be generalized to the entire population of Japanese WISEs and to better analyze relationship between WISEs and Public Policy in Japan.

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