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**“Social Capital Formation for Supplying Local Community Services through
Coordination of Social Economy, Local Governments and For-Profit Enterprises in Japan”**

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Abstract

Social Economy has been contributing the supply of community business services in Japan in association with local government. However, organizations in Japanese Social Economy are rather weak in both of their financial and human resource foundations; furthermore, networking among social economy and local governments has several difficulties especially in utilizing the mapping of social capital endowment in the region.

This paper tries to investigate the contribution of Social Economy to retrieve the Social Capital in the Japanese local economy and society with some internationally comparative framework with European Social Economy. And, we analyze the main cause of skilled human capital shortage for Social Economy in Japan while there is abundant accumulation of human skills in for-profit sector. And, finally, we are trying to find out the necessary way to improve the level of social capital for the supply of life related community services in Japan.

Résumé

L'Économie sociale a contribué la provision d'affaire de communauté entretient au Japon dans la corporation avec gouvernement local. Cependant, les organisations dans Économie Sociale japonaise sont

plutôt faibles dans les deux de leurs fondations de la ressource financières et humaines; en outre, établir des contacts parmi économie sociale et les gouvernements locaux ont surtout plusieurs difficultés dans utiliser la projection topographique de dotation capitale sociale dans la région.

Cet article essaie d'enquêter sur la contribution d'Économie Sociale à retrieve le Capital Social dans l'économie locale japonaise et société avec quelques-uns structure internationalement comparative avec Économie Sociale européenne. Et, nous analysons la principale cause de pénurie capitale humaine habile pour Économie Sociale au Japon pendant qu'il y a accumulation abondante de compétences humaines dans le secteur du pour-profit. Et, finalement, nous essayons de trouver la façon nécessaire de rehausser le niveau de capital social pour la provision de vie a raconté des services de communauté au Japon.

Lo abstracto

La Economía social ha estado contribuyendo el suministro de servicios comerciales de la comunidad en Japón en corporación con gobierno local. Sin embargo, las organizaciones en Economía Social japonesa son bastante débiles en los dos de sus fundaciones del recurso financieras y humanas; además, conectando una red de computadoras entre la economía social y los gobiernos locales tienen

varias dificultades sobre todo utilizando la cartografía de dotación importante social en la región.

Este papel intenta investigar la contribución de Economía Social al retrieve la Capital Social en la economía local japonesa y sociedad con algunos el armazón internacionalmente comparativo con Economía Social europea. Y, analizamos la causa principal de escasez importante humana experimentada para la Economía Social en Japón mientras hay acumulación abundante de habilidades humanas en sector de para-ganancia. Y, finalmente, estamos intentando averiguar la manera necesaria de mejorar el nivel de capital social para el suministro de vida relacionó los servicios de la comunidad en Japón.

[Keywords]

Networking, Human capital, Social capital, Social economy, Local development, Incentive in Organization

1 Introduction

This is the preliminary paper for promoting intensive research of international comparison in social capital accumulation through the coordination of the activities of local government, for-profit enterprises and social economy. In this paper, especially, I will focus on the incentive mechanism and human capital of the social economic sector and its network in the context of social capital, and entrepreneurship of diversified economic organizations from public, private for-profit and non-profit, that are almost all of organizations providing service of general interest in the relevant territory; more precisely, coordination of individual incentives in various organizations through sharing the knowledge and experience across the border of profit or non-profit, and private or public.

The main focus of this paper is the role of social economy to social capital accumulation in Japan. More precisely, it is curious to know how the social economy in Japan responds to the expectation for social capital formation as an alternative device to for-profit enterprises and local/national government. However, it cannot be achieved only by social economy alone, but the role of public authority to be one of the designers of social economic system in the territory is very important, more specifically, coordination skills of all kinds of supplier of the general interest services are required from public authority.

This paper is, so to speak, a complex of empirical statistical research and descriptive consideration of governmental organization. Firstly, the original data used in this paper is from the two questionnaire researches I had conducted, one is on incentive change after wage system reform in Japanese for-profit enterprises, and the other is on workers motivation and labor supply in the Japanese non-profit sector. In addition, I have been watching decision making and human management system in the Japanese public institution providing services of general interest; Administrative Agency of Ministry of Health, Labor and Welfare, for several years as a member of external evaluation committee.

A Main points to consider is to enhance the level of human capital that is well informed and perceived about the mapping of resources (human, financial, managerial etc.) for the supply of service of general interest, through sharing and exchanging the entrepreneurial human capital among different organization

My tentative proposition, it may seem to be biased by Japanese social economic system, is how to conquer the Asymmetry of information, Asymmetry of human capital, Asymmetry of entrepreneurship. The key role for conquering this asymmetry is to enhance the level of social capital through increasing chances to set up consortiums or partnership to share the common but flexible skills to manage the supply of services of general interest in the territory.

However, this is not an easy way for Japan as an Asian country with different cultural and historical experiences from other developed countries in Europe and North America. Furthermore, the country which has once succeeded in its economic growth and built up

unique combination of employment and social security system linked to the labor management of individual enterprises.

In Japan, it might be possible to say, it is already on of the common understanding that most of the economic resources are too much integrated into private enterprises so as to participate efficiently with competitors in international markets. And, those systems are originated from the war time resource mobilization policy in the period of World War II. And, it is especially important to remark that the local community of Japan had also designed to support the war time mobilization system for monitoring and managing local territory.

Hence, as I wrote at the beginning of this section, this paper itself is an introduction to the inter-disciplinary project composed from many hybrids of hypothesis to analyze the possible mechanism behind Japanese social economy including its own future.

2 Losing Japanese social capital in industry and local community

Once they maintained high economic growth in Japan, the social capital in Japan is decreasing significantly in industries and local communities.

According to Japan Productivity Center for Social and Economic Development (JPC-SED), the “trust” in Japanese workplaces is decreasing, -22% for executive managers, -17% for colleagues, compared to the beginning of 1980’s. And, another report from the same institute shows us that the mental diseases are increasing in 47.7% of the local government in Japan. In addition, 52.5% of the local government reports that “the chances of communication among officers are decreasing” and 48.8% of them recognize that “the chances of mutual help within workplace are decreasing”. Furthermore, there are significant correlation between the percentages of mental disease and the decreasing mutual assistance among officers. The report insists one of the reasons behind that; 82.3% of the local governments feel “the community people become stricter to the services from local government”.

The Japanese employment system has altered significantly in its component of roles. Japanese workers life had been supported by fringe benefits of for-profit enterprises. Employees life was mostly dependent on the Japanese employment system which had been included certain part of the social welfare systems, like housing allowances, house wife allowances, child raising allowances etc. Hence, the Japanese employees have been demanded strong commitment to their enterprises in exchange for many fringe benefits. Consequently, long working hours with unpaid overtime work are accepted while hours of husbands for child care and local community activities are decreased.

We may say that we have accumulated high level of individual human capital and a kind of social capital for coordinating persons and organizations, but not in local communities or child raising families.

Under the present global economic competition, for-profit enterprises are cutting labor cost by abolishing fringe benefits and introducing non-regular employees by substituting regular employees. Then, Japanese middle class have decreased their percentage; instead,

new poor classes working in unstable conditions have increased their percentage. Then, what occurred to Japanese individuals and families are that they find there is shortage of general social interest services in both enterprises in which they are employed and local communities where they live.

As long as Japanese enterprises are struggling to survive from global competition and government holds a huge amount of budget deficit, we have to find another alternative solution; however, Japan is now in very low level of accumulation in both human capital and social capital for providing social general interest services in local community. Our crucial question is whether we can promote the social enterprises or social economy with the coordination of local government as a substitute to traditional Japanese type of combined employment, and whether we can promote social welfare systems that are seen, especially, northern European countries.

3 Organizations in Japanese for-profit enterprise sector

3.1 Abundant accumulation of human skills in Japanese enterprises and asymmetry of endowment

Here seems to be unnecessary to explain here about the Japanese life-time employment system that had worked as an efficient human capital accumulation device, which have been, however, very high cost labor management systems that could not have survived without major restructuring.

Skill structure needed is changing rapidly. Needed skills are changing, from collaborative and team working skills, to more independent decision making through own networking of business partners. Inequality in distribution among individuals of these skills is expanding, and serious problem is that these variables have good explanatory power to income distribution.

Spillover the skills are in diversity of economic organization. Like flower seeds are transplanted by animals, multi-experienced human capital will be diversified into different economic organization. A Basic skill training programs for younger generations to promote their ability to live in community or society (Social basic manners, communications skills, problem solving ability etc) by Ministry of Economy Trade and Industry (METI), and Ministry of Health, Labor and Welfare (MHLW).

As for qualified entrepreneurship, there seems to have been concentrated in private for-profit sectors even in local economy. In local power families, especially the owners of small enterprises or certain amount of land owners in province, they are enthusiastic for seeking chances for profit making, but they often lack of enough entrepreneurship and management skills. More importantly, their idea is not always mercenary in the idea of profit making, because they are living in a local community.

We must remember this asymmetry of human capital accumulation between for-profit and non-profit sector when we discuss about labor supply for non-profit organizations or social economy in Japan.

3.2 Japanese changing employment system in for-profit enterprises

In the middle of 1990s, suffering from the economic recession, many Japanese enterprises decided to introduce performance based wage system under the strong pressure to save the labor cost and make it more flexible. However, as far as labor incentive is concerned, this wage system reform had negative effect on Japanese for-profit enterprises. According to our questionnaire to workers who had experienced wage system change in Fig.-1, 38.5% replied that their morale to work had decreased, and only 11.2% replied it had increased (Imamura (2005)).

Looking at more precisely the result of wage system change, it is apparent that we had considerable loss of reliable and cooperative attitude among employees. In Fig.-2, there had been positive effect, for example 74.3% had answered “Sense of responsibility and motivation to achieve target are increased”, and 47.1% responded “Job description, responsibility and performance target is clarified.” However, this is only within 11.2% of the workers who had positive evaluation to wage system reformation.

In Fig.-3, the precise effects on the workers who evaluated the wage system reform negatively are shown. 71.8% answered “Loyalty and sense of belonging to company were weakened”, 38.6% responded as “Solidarity and cooperation among members were decreased”, and 37.3% replied that “Steady effort was diminished.” We may conclusively interpret these results as the collapse of trust and group working inside the Japanese for-profit enterprises.

Fig.-1 Change in morale after introducing performance based wage system

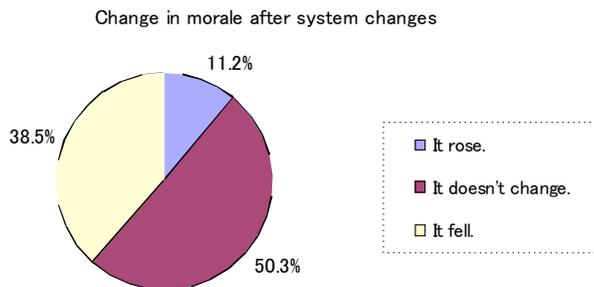


Fig.-2 Change of attitude to work (who answered the morale rose after system change)

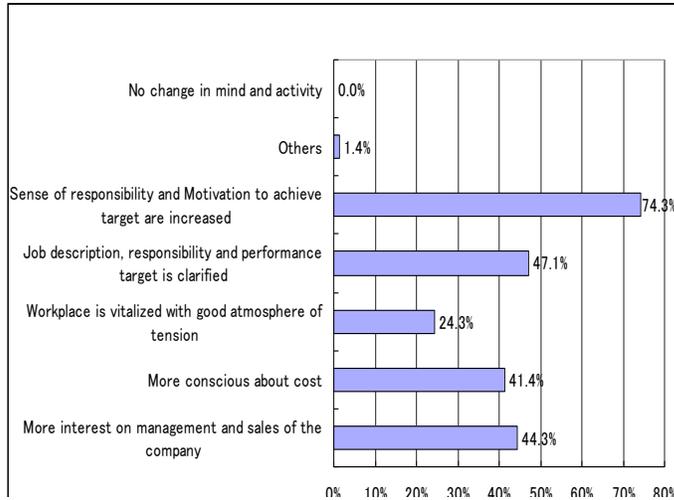
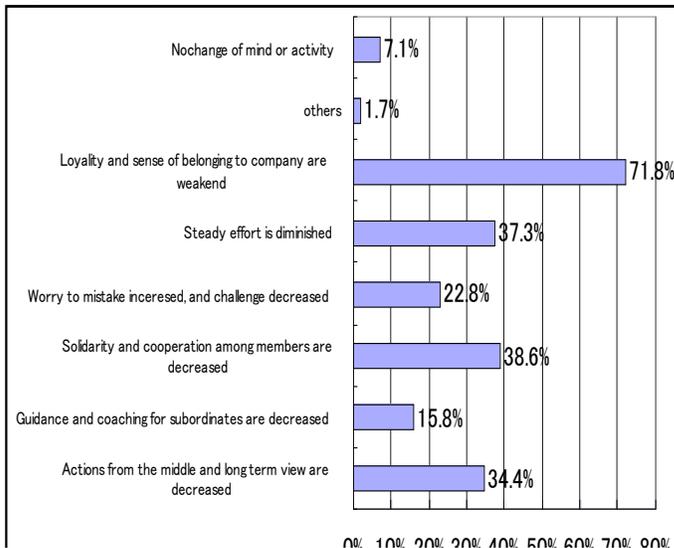


Fig. 3 Change of attitude to work (who answered the morale down after system change)



3.3 Increasing atypical employment in for-profit sector and employment in social economy in Japan

In addition to the incentive problem, we should refer to the working condition problem of atypical workers in recent Japanese economy. Helped by several de-regulations in labor law, especially in dispatched workers and contractual workers, Japanese for-profit enterprises had succeeded in reducing labor cost through augmenting percentage of atypical workers. Moreover, working conditions of workers in the social services in which market many non-profit organizations are competing with for-profit organizations, for example, care workers are mainly consisted from temporary non-regular employment. Many of them are dispatched workers.

Consequently, social divide between the over- and under-employed is increasing. Younger generations will be faced with insecure prospects for steady employment. Contrary to emergences of bi-polar divide of employment, fortunes are being made by those who own the patents on technological innovations, highly skill in operating in

financial markets, and so on. As a result, the employment opportunities of social economy in Japan became one of the interesting choices for unemployed people. Therefore, quality of employment becomes one of the most important points of view when we analyze the future of employment opportunity in social economy.

4 Employment in social economy as alternative choice

4.1 Emerging social economy in Japan and labor supply for the non-profit organizations

As an alternative to for-profit industry sector and local government, that seems to have been decreasing its social capital, NPOs as one of the important components of the social economy in Japan shows some positive contribution for social capital accumulation

And, also the employment opportunities in NPOs become one of the important alternatives to those of for-profit or public organizations. Under the changing condition of increasing atypical employment, the percentages of part time worker, dispatched worker or contractual worker are distinctly increasing. For those atypical employment opportunities, various applicants in their different life or career stages are coming and getting jobs. That is; female workers once quit their job when they get married or pregnant, retired men after their mandatory retirement newly graduate who had difficulty for finding regular employment, and so on.

Various kinds of non-profit organizations including social economy have been playing an important role for providing flexible employment opportunity that fits to individual needs of labor supply in different life stages.

4.1.1 Highly motivated workers with the explicit social mission that composes social capital.

It may be possible to say that the workers in NPO are highly motivated with its mission, and they understand very well about the significant importance of mutual cooperation between members. Looking at Fig.-4, their motivation is mainly coming from feeling of contribution to a social missions, sympathy to the activity, and recognition of necessity of NPO activity. More than 40% of the members of NPO agreed to these three motivations.

Besides motivation to attend NPO activity, they are rewarded by what is not obtainable in other organizations. Above all, 56.9% replied to the work in NPO is challenging or worthwhile to do. And “interpersonal relationship” comes for the next at 32.3%, and then “Freedom of work” as 31.9%. We may conclude from that there is apparently the trust among members and incentive to group working in NPO in Japan, most of them are drastically decreasing in for-profit sectors.

Fig.-4 what motivates you to work in NPO

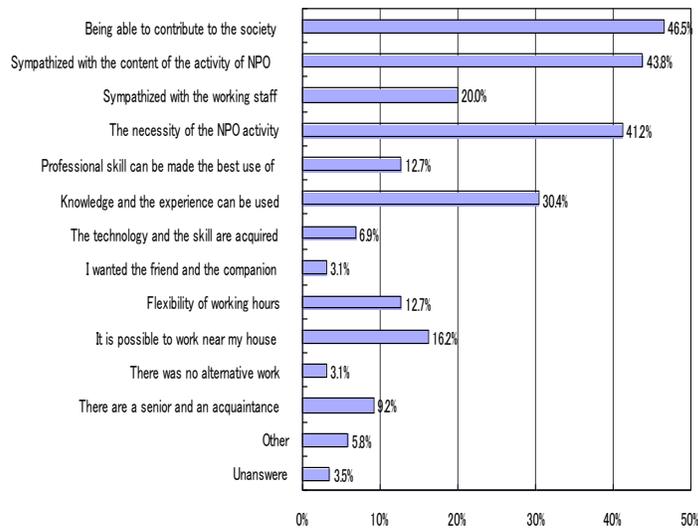
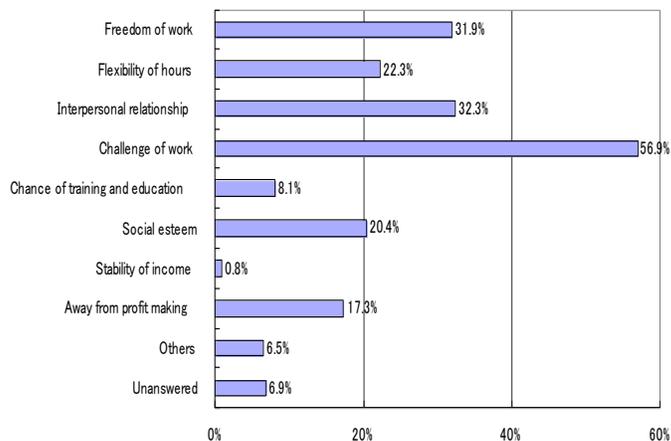


Fig.-5 Something you can get only in NPO



4.1.2 Human resources relied on the supported by another member of family

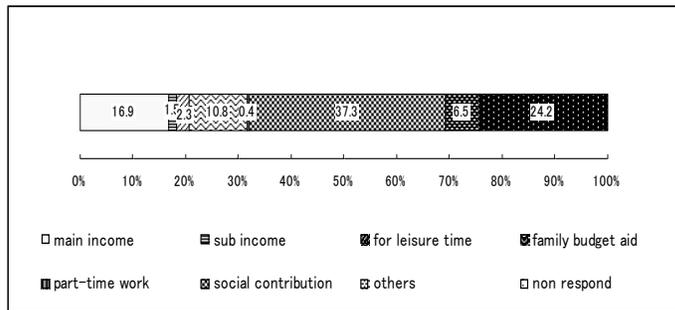
Main work force supporting non-profit organizations and workers cooperatives are mainly house wives and retired person. In contrast to declining number of housewives, retired persons are increasing. But they are not well trained in a non-profit ways of working with missions for social contribution. The people coming from private for-profit sectors are only gotten used to profit making competition, and non profit organizations have not their own training system in their own organization.

Moreover, most of the members are female and middle and old aged people. For example, in Imamura (2005), the percentage of female members in NPO and workers cooperatives in Kanagawa prefecture in Japan, is 60.0% and 97.2% respectively, as for age composition, percentage of member aged more than 50 years old are 66.5% and 52.1% respectively.

Furthermore, even if those NPOs and workers cooperatives contribute to enhance the social capital level, future of those organizations is not necessarily hopeful. Because, they

had been relied on the human resources supported by another member of family, as shown Fig.-1; only 16.9% of the workers say the earnings from NPO is the main source of income. 37.3% works only for social contribution not for income. That is, they are not principal earner of family. But more women tend to have economically independent employment like full time employment, and then the labor supply for the non-profit sector is declining, so it would be at least serious constraint of expansion of this sector.

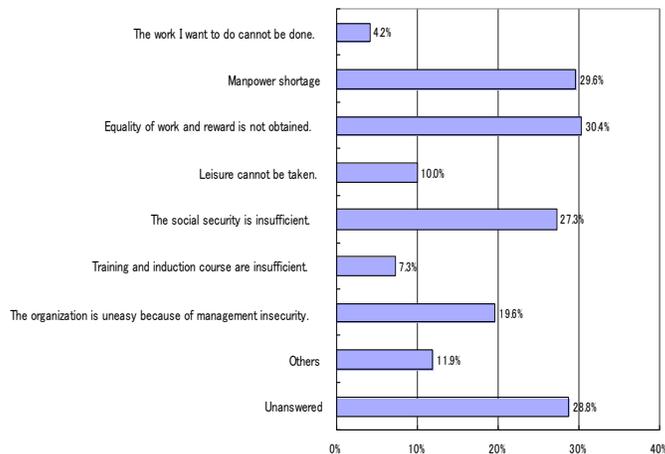
Fig.-6. purpose of working in NPO



4.2 Other problems in non-profit organizations in Japan

In addition to the labor supply structure, the managements of NPOs in Japan are not well organized and organizational foundations are far from stabilized. They are always suffering from “not enough payment” 30.4%, “manpower shortage” 29.6% and “insufficient social security” 27.3%. It must be remarked that the employment condition and management foundations have to be improved.

Fig.-7 what is worrying or dissatisfactory while working in NPO



4.2.1 Human resource foundations in Japanese non-profit organizations

Managing organizations in Japanese Social Economy

Entrepreneurial skills are different among different organizations. Not to manage one organization, but to coordinate the consortium of public, private profit and private non-profit suppliers. Especially the new type of human capital that can well coordinate the organizations to social goal under the practical experience and knowledge are necessary. And of course families and communities in the local area should be included even for the supplier of labor and entrepreneur.

Skilled human capital shortage

New skills of social entrepreneurship will be required of many in the new configuration of society, in which a vast network of organizations within which many group and individual needs will be met throughout the coming years.

Referring Rifkin's "End of work", we are facing with inadequate stability of work and "bipolar" divide of income inequality. We need some intermediary employment opportunities that are created by entrepreneurship with experiences in both profit and non-profit organizations

Japan is now far behind of accumulating Social Capital, because for example the Ministry of Economy and Trade and Industry (METI) began to propose to enhance the "basic social skills" among young generations, because we feel there is a serious shortage or such skills among young generations in Japan. Such situations of NEET or free-ter (part-time working young people) are not adequate to let them acquire such socially necessary skills.

NPO will not welcome retired people from for-profit enterprises, because their discipline is completely different and will not contribute to the organization. For example, if one very efficient accounting specialist retired from private for profit enterprise joined NPO, his (her) too much efficiency oriented skill and experience often raise conflict with NPO culture. This is the reason why we should prepare some introductory training process for the people moving from for-profit sector to NPO.

At the intersection level of market competition, we need a certain amounts of market oriented skills to utilize and organize competitive service supply. However, individual economic entities have its own mechanism to motivate them, and it is difficult to define which activity is public and which is private. Many activities are very similar. What is public and what is private is defined by source of money or human capitals working is paid by public or private.

5 Social capital in social general interest services

Whatever the private for-profit entrepreneurship or non-profit entrepreneurship, the goal is to maximize the utilization level of factors endowed in that specific local area. Some type of consortium even among different disciplines.

Outputs of social economy integrate social results with indirect economic gains, for example the number of handicapped persons well cared for at home and not in hospitals; the degree of solidarity between persons of different age groups in a neighborhood.

To promote social capital in social economy or non-profit sector by government subsidies is, in fact, cost efficient, if it is well organized to invest to enhance the necessary human capital or social capital in the field creating general interest services and employment.

Social capital investment is needed for economic growth and stabilization of economy. If I may be permitted to use broader terminology of social infrastructure, social capital investment is very much crucial point if we discuss about the social investment and economic growth. There are two aspects, one is augmenting labor productivity production at macro level, and the other is enhancing the quantity and quality of social services at micro level point of view.

5.1 Who knows the mapping the factor endowment for local community services in the region

We have to watch carefully the difference of work incentives among these institutions, and the idea of life time employment is now decreasing. That is, skills and experiences relating to organization, more diversified organization specific, that means multiple organization skills are needs. We can interpret it as some sort of “social capital” in each (local) economy.

It is identified that social entrepreneur as one who has developed substantial “map-making skills” and can navigate the “cracks between systems”

5.2 Enhance the level of social capital for the supply of life related community services

Enhancing the level of social capital at a local level may make general social services to be supplied more. Each type of organization has its own incentive, governmental, for-profit and non-profit.

If we consider the quality of services, non-profit nature of organization receives good reputation and reliance of providing high standard of safety and quality. So, to keep the general social objects that are not quantified in terms of money, non-profit structure is preferable.

6 Coordination of governmental policy and local community initiatives

6.1 Local government

Public authority should coordinate the supplier of both general economic interest and general social interest in the local area. Design ability is needed by local public authority for coordinating and synchronizing the supply of locally needed services.

Public, Profit and Non-profit have their own entrepreneurial goal and never converge into a similar goals. Especially for the human capital or human network (I may say it as one kind of social capital) required to each organization are different. Each organization has its own competence in their field.

Public authority coordinates the interaction among public, private for-profit and private non-profit. Role of public authority is not monopolize the supply or compete seriously with private for-profit enterprises, but to enhance the level of human capital for networking the factors to provide services required for local development.

6.2 Enhance the level of human capital for networking the factors to provide services required for local development.

It is necessary to explain the case of Yokohama case as a failure of coordination of government and social economy.

There are many examples for the Japanese bureaucratic management system doesn't match the social economy type society.

The point is that three types of organizations should not contact at a personal level but at an organizational level as a whole, otherwise the real human capital preserved at organization cannot be utilized.

Complex of supply mechanism will never be realized without accumulation of human capital acquired from different disciplined organization, such as local government and non-profit organization.

The case of Yokohama is rather advanced cases of accumulation of social capital, because there are comparative high level human capitals self motivated for youth social insertion. However, government couldn't catch the accurate function of each factor in the region. Only for the reason that there are several organizations of government or non-profit for supporting youth social insertion, Ministry of Health, Labor and Welfare decided to shut down Yokohama Young Job Spot (YYJS) and stopped to distribute the budget money for the YYJS.

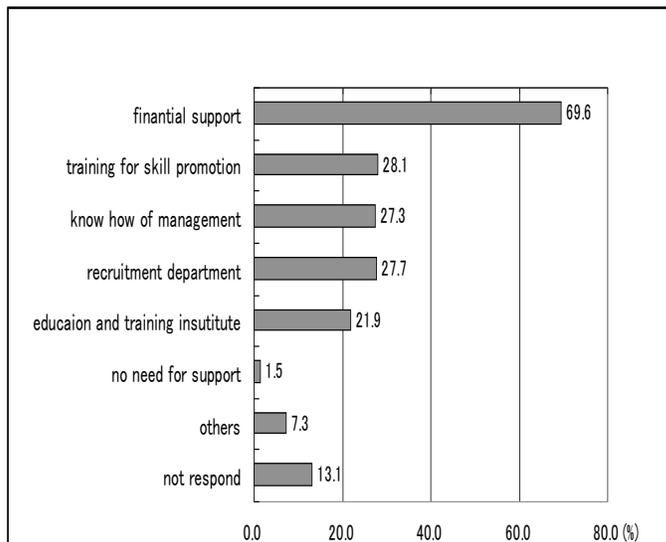
The most of the supporters are members of NPOs in the youth supporting activities. Although the document in Ministry of Health, Labor and Welfare (MHLW) explains it as "to make an accent in budget distribution among Young Job Spots all over Japan", however there were still many young people and their families supported in YYJS. Accordingly, the supporters of YYJS from NPOs decided to finance the YYJS by themselves, and found financial resources for this, and succeeded to re-open it in the same place only the name has changed as "Yokohama Young Job Square".

The basic problem in this case was that the government didn't care or maybe didn't know what factors of non-profit sector were connected to their policy.

7 Necessity of center integrates research, information and training in Social Economy - Exchanging and movement of human resources among for-profit, government and Social

Economy -

Fig.-8 what is necessary to support NPOs



7.1 Local government as a coordinator of supplying local community business

To share the profound knowledge to promote local development and flexible management for supplying locally needed services in each type or organization is very important. Not only in case of an explicit consortium but in case of independent transactions for service supply they can lower the transaction coat for supplying local services.

7.1.1 Idea of “coordination” among those three sectors

It is better to create a pluralist society, which balances rights and responsibilities, when the very base of public support for the needed. Public authorities should let human resources easy to cross the border of profit and non-profit. That includes re-organization of a social security systems to be transportable not only among enterprises but among different economic organization.

For that purpose, especially in Japan, it is urgently necessary to set up the center to accumulate and exchange the factor endowment; human capital, financial resource, evaluation of social enterprises, need for community businesses, management skills, legal procedure, and so on.

Under the changing situation, it is apparently necessary that the national government and academic society for social economy should take an initiative and set up financial and legal bases for the functioning central organization to integrate and distribute the recourses for accumulating social capital in every region all over Japan.

The most necessary and easy way to enhance the level of human and social capital in a social economic sector in Japan is to a setup an inter-sect oral unified center for promoting and expanding the network of individual organizations more easily.

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