

# Nonprofit Organization: Not Just an Institution but a Vision for an Alternative Society

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## Introduction

The Specialized Activities Nonprofit Organization Law was enacted in 1998 in Japan. The law introduced a new type of nonprofit organization incorporation system, which would complement the existing nonprofit entities operating since the 1940s. By following the process of the development of the new nonprofit activities, this chapter discusses civil society in Japan and the role of nonprofit organizations. This article first describes the voluntary activities that emerged in the 1980s, which is the origin of the new nonprofit activities. This chapter then turns to the discussions held in the US on nonprofit organizations. Three discussion points are presented and the implications of the new nonprofit organization in Japan are examined based on these. Lastly, implications are re-examined from the perspective of the grassroots level volunteers. This chapter indicates that the introduction of the new nonprofit organization in Japan might be seen as an achievement at the first glance, however, it actually has led us to ponder and evaluate the true nature of Japanese civil society and the roles of nonprofits.

I have been following the development of new nonprofit activities in Japan since the rise of the voluntary activities in 1980s. During this time, I went to the US to gain a better understanding of nonprofit organizations. Since coming back, I have been trying to understand more clearly Japan's society and the role of nonprofits from a cross-cultural perspective, primarily in comparison with the US. The process of the development and later

struggles of the new nonprofit organizations runs parallel with my own journey as a researcher, looking for an answer on how Japan can find its own way to promote civil society.

## The origin of the new nonprofit organization system in Japan: voluntary activities in 1980s

Many have said that the interest in nonprofit and voluntary activities in Japan increased after the Hanshin Awaji Earthquake that occurred in 1995 in Kobe in Western Japan. However, prior to this, there already was an increase in voluntary activities in the 1980's. It is more accurate to state that the boom of voluntary activities after 1995 was possible due to the continuous effort of voluntary groups since 1980s.

The 1980s were a time when the male-dominant main-stream society was questioned from inside: multiple corporate scandals surfaced while prominent politicians were arrested due to their serious misconduct. Providing an engine for economic development, husbands were seldom home due to long work hours, and children grew up without seeing their fathers. Young people gravitated toward urban areas, and rural areas, losing younger residents, struggled to maintain normal community functions such as operating schools, providing health and social services. People were becoming aware that these social problems were attributed to the political and economic activities which were believed to make Japan's society better. The status quo was

questioned and the search for alternatives started.

Those who formed and organized activities at the early stage of the search for alternatives were middle-aged women in their thirties and forties, and for the most part, they were homemakers living in urban areas. For example, a group of female residents initiated their own daycare programs on a nonprofit basis when existing day-care services for small children were all governmental and limited in scope. They knew from their experience that there were no children day-care services available to them when they hoped to return to work, due to the conventional notion that mothers should stay home to raise children. Instead of protesting or accusing anyone or any institutions, they focused on coming up with ideas to resolve the problem, and implemented such solutions on their own.

Another group of female residents living in the north-east part of Japan noticed a change in the quality of the local spring water which had been, for hundreds of years, used daily for drinking, bathing, washing clothes and the like. They discovered that the water was polluted by drain water from particular government-invited factories, which were moved to the region in order to boost the local economy. They requested government control over the factory's activities but their petition was denied. These women then formed a voluntary group and collaborated with specialists in related areas. They measured the degree to which the water was polluted as well as how seriously the pollution could damage residents' health. They organized conferences while issuing newsletters to share the information they collected. They also urged local residents to find the balance between economic development and environment protection. Their activity pioneered the environmental protection movement in Japan.

Men joined these activities by helping with administrative work and/or negotiating with local government officials. The number was still small but some males started their own organized activities as well. A group of men working in leading companies organized volunteer groups to coach baseball to children during weekends, and

the children's mothers provided free lunches to volunteer baseball coaches. In order to take back "community pride", another men's group living in a rural area revived a traditional summer festival which had not been held in more than twenty years. Through these activities, people contemplated life, happiness, and the future direction of Japanese society. (The Japan Networkers' Conference, 1990).

### Searching for a new system

Organized voluntary activities gradually mobilized a wider range of people. Many voluntary groups became successful enough to have offices and/or employ staff. However, there was no legal status they could obtain at that time in Japan and they had an array of difficulties for this reason. For example, they could not have telephone lines under the group name so instead individual contracts with telephone companies would be signed by the leaders. As a result, some leaders ended up having more than ten or twenty individual telephone lines. Staff members could not be given formal contracts or fringe benefits such as health insurance and/or pension.

The problem was that the existing nonprofit statuses did not provide realistic options to voluntary groups. The existing nonprofit system allowed for social welfare corporations (shakai fukushi hojin), privately incorporated schools (shiritsu gakko houjin), incorporated religious organizations (shukyo hojin), medical corporations which operate hospitals and clinics (iryō hojin), programmatic and grant making incorporated foundations (zaidan houjin) and other nonprofit corporations (shadan hojin). Applicants for these statuses were required to go through excessive government scrutiny. Applicants were also required to have large endowment in order to start official corporations. For example, in order to obtain social welfare corporation status, an endowment of three hundred million yen (over three million US dollars) was required, a sum which small- to medium-sized voluntary organizations would never be able to raise. The voluntary groups in 1980s started to think it was necessary to change the existing

nonprofit organization system so that they could be incorporated as nonprofit organizations.

I, as a researcher, was following these voluntary activities, and heard that the US had a different nonprofit incorporation system, and American voluntary organizations could easily obtain legal recognition as a nonprofit corporation based on the system with much little governmental intervention and with no endowment requirement. Since no one could provide a further detailed explanation about the American system, I decided to go to the US to study it and find out more directly. I wanted to know what kind of social institution was suitable to support the voluntary activities so that a wider range of people could participate in important decision making processes as well as bringing about changes to make their society more comfortable.

In the 1990s, US nonprofit organizations with 501(c)(3) or 501(c)(4) status were aggressively introducing fee-for-service systems, improving operational systems to increase efficiency, and introducing marketing and outreach systems to attract more "customers". Certain terms dominated the discussion. These included: "management", "strategy", "competition", and "proactive". They were increasing cost-effectiveness, efficiency and their activities were sophisticated. At the same time, it was the same cost-effectiveness, efficiency and sophistication which brought about skepticism about how "nonprofit" and "public-oriented" they actually were. There was an opinion that providing the privilege of tax exemptions to nonprofit organizations needed to be reconsidered since nonprofits were more and more acting like forprofits (Lipman & Schwinn, 2001). Some were saying that nobody would think of volunteering or donating money to nonprofit organizations, which were busy selling services instead of serving the public well-being (DiLorenzo, 1996). Nonprofits were arguing back that, because of the increasing market-based competition, nonprofits needed to transform themselves otherwise they would become extinct. Some also responded it was an unfair that nonprofits were expected to replace the role of the

welfare state, given that nonprofits were not equipped with sufficient resources to undertake the substitutive role (Merrett, 2001).

I learned through my experience in the US that not all American nonprofit organizations were in the trend of transformation; some chose to stay in more conventional nonprofit roles. I was involved in the activities of a nonprofit that provided social services in a typical inner-city neighborhood: economically distressed and hit by incessant serious crimes. Individual donations could never be a reliable source because the amount fluctuated. Most of all, the amount we could collect was never enough to support daily activities, given the fact that our organization could not afford employing fundraising specialists. There was no way to "sell" services either, since very few residents could afford to pay, due to their low incomes. Our organization was naturally dependent on government funds which decreased each year. Low wages as well as the dangerous working environment could not attract well-trained staff, which added further difficulties to our operations despite the fact that it was where help was most needed. Our organization's board was considered from the outside to be old fashioned, and lacking the professional administration skills necessary for survival.

In order for nonprofit organizations to survive, shifting focus to wealthy customers seemed to be a promising strategy, but it also appeared to pose a risk to the core identity of being "nonprofit" as well as tax exemptions and other social-institutional supports. Focusing on missions instead of their own survival sounded noble. However, these organizations were facing a depletion of resources, which made it difficult for such organizations to accomplish their missions.

I went to the US, hoping to find a model to support the voluntary activities in Japan, but what I found was, that US nonprofit organizations themselves were at a serious turning point. They were faced with profound questions: who owes what kind of responsibility to the public interest, how should society support nonprofit activities, and

where is the boundary between for-profit and nonprofit work. I learned that importing another country's system would not resolve the difficulties that Japanese voluntary groups were experiencing. Rather, I realized that we should take the questions that US nonprofit organizations were facing as our own. We needed to identify our strengths and weaknesses while considering the differences in the socio-cultural context, and come up with our own solutions.

### Taking the US nonprofits' questions as our own

Question 1: Who owes what kind of responsibility to public well-being?

After coming back from the US, I realized the development of the new voluntary activities in the 1980s Japan was directly related to the question also being raised in the US: "who owes what kind of responsibility to the public well-being". The difference between the two countries lied in the context and responses to the question. Japanese voluntary groups were claiming the right to participate in important decision making and problem solving processes in society, and believed that obtaining the legal status of nonprofit organization would make it happen. In the US, on the other hand, the question was raised based on the public's frustration that nonprofits should do more to serve the public interest, while nonprofits pronounced their reluctance to undertake further public responsibility.

The call for voluntary groups public participation in Japan was strengthened through individual volunteers' actions, as well as the organized voluntary groups', incomparable contributions made in the aftermath of the Hanshin Awaji Earthquake. The call was finally answered though the introduction of the Specialized Activities Nonprofit Law in 1998. The so-called "NPO Law", enabled small- and medium-sized organizations, both voluntary and staffed, to incorporate without requiring a large endowment. Procedures were simplified and changed from a system of approval by authorities to one of registration with the

government. The success of introducing this new law, however, further illuminated the seriousness of the challenges faced by Japanese nonprofit organizations. In particular, existing nonprofit organizations had difficulties in evolving so that they could include a wider range of groups and people, including the nonprofit organizations incorporated under the newly promulgated NPO law. On the side of the new nonprofit organizations, they had difficulties in breaking through to establish their own legitimacy.

The number of the pre-existing nonprofit organizations, those which have been operating since 1940s, was 275,410 as of November 2007 while the number of nonprofits incorporated under the NPO law was 31,855 (Ministry of Health and Labor, 2007; Ministry of Education, Culture, Sports, Science, and Technology, 2007; Ministry of Internal Affairs and Communications Cabinet Office, 2007; Government of Japan, 2007). The actual influence of these newly formed nonprofit organizations is supposedly smaller than one might expect based on the number, because in general their operational size is much smaller than pre-existing nonprofit organizations. The difficulty for the newly incorporated nonprofits to establish their legitimacy is augmented by the fact that their activities are concentrated in urban areas.

The Long-Term Care Insurance (LTCI) System, which was enacted in 2000 in Japan, was expected to provide leverage to the activities of the newly incorporated nonprofit organizations, however, it turned out to be disappointing. LTCI is a national insurance system for long-term care for the elderly, operating based on tax payments and insurance premiums collected from residents aged 40 years and older as insurance premiums. One of the major changes that LTCI brought about to the area of long-term care for the elderly was that it overhauled the existing distinctions between for-profit. Before LTCI, long-term care services were provided either by the government or through social welfare corporations and medical corporations. For-profits were not allowed to participate based on the notion that their primary purpose was profit gain, which

could drive them to take advantage of those in need. Other pre-existing nonprofit organizations were also excluded, based on the assumption that they were not qualified due to the difference of professions. LTCI changed the system by completely privatizing the process of service provision. The government withdrew from the role of service provider while any private entity that fulfilled the government requirements could participate as a service provider, including the newly incorporated nonprofit organizations under the NPO law. LTCI was literally the first public system which provided such recognition to the newly incorporated nonprofits. This LTCI model of providing public services was later extended to the public services for the physically and mentally challenged as well as to the public child-daycare programs.

The newly incorporated nonprofits were expected to be free from bureaucracy so that they could provide services in a flexible manner, but the regulations and ordinances of the LTCI system restricted their activities in many ways. Studies have also shown that, by participating in LTCI, the newly incorporated nonprofits use up time and human resources for paperwork as well as procedures required by LTCI. They had no choice but stayed away from advocacy and other community-based activities, which resulted in shifting their orientation from voluntary groups focused on social changes to semi-professional organizations providing standardized services of governmental program (Tajiri, 2002; Yasutome, 2002).

As of November 2007, the number of such new nonprofits operating under LTCI is limited to a five percent share of all LTCI providers even in Tokyo Prefecture, where new nonprofits are more active. In addition, they mostly focus on providing day-service programs and in-home personal care services, which are less lucrative service programs. The most lucrative is nursing home care, which is mostly operated by one of the pre-existing nonprofit organizations, social welfare corporations, while none of the newly formed nonprofits operate nursing homes in Tokyo. Their market share is

smaller even in the services areas where their participation is more prevalent. For example, my colleagues and I recently conducted a survey to compare LTCI-providers' behaviors and performance between two different municipalities in Tokyo, one with lower-income level and another with higher income level. In the study, the market share (based on the number of clients) of newly incorporated nonprofit operating an elderly day-center program was 0.0% in the lower-income municipality, while social welfare corporations operating the same program in the area shared 66.7%, for-profit corporations shared 31.4%, and for-profit limited corporation shared 1.8%. In the municipality with higher income-levels, the newly incorporated nonprofits operating day-centers exceptionally occupied a substantial share but still 15.1%, while social welfare corporations shared 51.6%, for-profit corporations shared 32.8%. For-profit limited corporations had the lowest share, 0.5%. With regards to in-home personal services, in the municipality with lower-income levels, the share of newly incorporated nonprofit was 0.0%, whereas social welfare corporation shared 10.0%, for-profit corporations shared 54.3% and for-profit limited corporations shared 35.7%. In the municipality with higher income-levels, the share of newly incorporated nonprofit was 10.4%, while social welfare corporation shared 13.9%, for-profit corporations shared 42.2% and for-profit limited corporations shared 33.6% (Suda, Kiguchi, Takagi, Toyoda and Chinone, 2007).

The newly incorporated nonprofits which focus on advocacy work are also struggling. In addition to pre-existing nonprofits, there are other community-based organizations, such as neighborhood associations in which a majority of legal residents are members, and co-ops which boast that their members make up 10% of the entire population in Japan. As will be discussed in the next section, neither the pre-existing nonprofits nor these previously established community entities have succeeded in gaining support from a wide range of citizens. However, based on the long history of serving members, they have developed

collaborative relationships with those in the governmental offices overseeing their activities. They have established ways to influence political decision-making processes as well by supporting those who promote their interests in elections, from the local to the national level. The newly incorporated nonprofits are critical of the bureaucratic nature of these pre-existing organizations as well as their practice of maintaining exclusive networks in order to protect their own spheres of influence. Such critical views resulted in their having limited access to resources and networks, and this in turn has decreased their overall impact on society.

Question 2: How should society support nonprofit activities

In the US, the nonprofits' increasing commercialization created controversy about their legitimacy as "nonprofit". However, the nonprofits which were not engaged in commercialized activities, such as the organization with which I worked in the US, were doomed by a lack of support. This led to the second question; how should society support nonprofits so that they can concentrate more on serving the general public? In Japan, supporting nonprofits has never become a focus of discussion because there is an assumption among Japanese people that the ultimate responsibility for the public interest belongs to the government. This second question is still important to Japan because such an absence of discussion illuminates the nature of Japanese society that Galaskiewicz (2007) describes as "flourishing social capital, but a dearth of activity".

Although pre-existing nonprofit organizations have had crucial societal roles and the newly incorporated nonprofits are attempting to reach out to a wider range of citizens, we have not seen a substantial increase in citizens' participation. According to a government survey of 2274 randomly sampled citizens nationwide age 20 to 65 with a 56.9% response rate, the number of those who were "currently participating in the daily

activities of neighborhood associations" was 18.0%, and those who were "currently participating" in other voluntary activities was 6.4%, while 77.4% responded that they were not involved in any kind of volunteer or community activities (The Japan Institute for Labor Policy and Training, 2007). Individual giving has not become more apparent either. The total amount of individual giving in Japan in 2003 was 25.2 billion yen (about US\$220 million), and this amounts to less than 1% of individual giving in the US during the same year (Nakagawa, 2007).

These low rates of Japanese direct participation and cash contributions stem from multiple causes. These include the lack of a system supporting tax exempt donations to nonprofits such as that in the US which is applicable to those organizations registered as 501(c)(3). One of the most important things however is to consider the public-private relationship in Japan.

After World War (WW) II, public services, such as medical, education and social services, were seriously needed in order to rebuild Japan. Private foundations, which could have taken initiative, were disbanded by American occupation forces due to the fact that such private foundations served as major financial supporters of the Japanese government throughout WWII. The majority of Japanese people lost their property and assets during the war so that they could not support private activities themselves. Given the situation, the American occupation forces suggested that the post-war Japanese government give nonprofit status recognition to charitable organizations that operated before WWII, which are the "pre-existing nonprofit organizations" described in previous sections. These nonprofit organizations were also provided with operational governmental subsidies. By the 1970s, primary public services were provided either directly by the government, or through these government-supported nonprofit organizations. For example, medical services were provided by medical nonprofit corporations through the national health insurance system and social services were provided either directly by the government or

through nonprofit social-welfare corporations which were completely funded by governmental subsidies. Public schools had a crucial role in education but private nonprofit schools also contributed by providing quality education at reasonable cost. This was made possible by substantial government subsidies. Numerous museums, theaters and halls were built and operated by the government and nonprofits developed artistic activities using the facilities. All these public services were provided based on egalitarian principles: they were open to anyone as long as there was a need. People were used to receiving such services for no charge or minimal payment. Operations were entirely entrusted to bureaucrats. Pre-existing nonprofits flourished within this scheme. Therefore, the notion that the responsibility for public interest belonged to government developed. Citizens were proud that they were supporting these systems through their taxes. They did not have direct interactions with nonprofits except when they were service recipients. In fact, even at the time when they received services, people thought that they were receiving government services. People did not see the necessity of individual participation in or donations to support these invisible nonprofits.

Toward the end of the 20th century, this welfare-state model came under pressure to change. Since then, devolution, decentralization and privatization have ensued, however, the government has managed to stay in control. Part of the reason lies in the fact that government is unwilling to give up power, but at the same time government control is expected by the public for the purpose of maintaining social equity. The strategy adopted by the Japanese government was to promote privatization while controlling private activities in the public sphere through strict regulations (Suda, 2006). One such example is LTCI, the national long-term care insurance system mentioned above. LTCI privatized the process of service provision, however, the market created under the system is under strong control, such that the government determines the prices of services and it also adjusts the amount of services provided in total. In

addition, LTCI is operated based on governmental subsidies, which come from general tax income, and compulsory premium payments. All LTCI providers, both for- and not-for-profits, get their revenues from public funds managed by the government. Therefore, the general public believes that they are already supporting the system through both tax and premium payments. Even though the welfare-state regime was over, the expectation for the government to stay in control did not change.

Newly incorporated nonprofits have been critical about pre-existing nonprofits' dependence on governmental revenues. However, due to the lack of substantial support from the general public, they themselves have become dependent on revenues through governmental programs, such as LTCI. Advocacy oriented organizations are having even more difficulty than other types of organizations. As Galaskiewicz (2007) indicates, there are few large, national advocacy organizations in Japan, such as the National Association for Retired Persons, the Sierra Club, the National Organization of Women in the US. There are protests or demonstrations once in a while, however, "advocacy" is not ingrained in Japanese society. The Japanese general public rarely even comes across the term "advocacy" itself, making it even more challenging for advocacy-focused newly incorporated nonprofits to receive financial or volunteer support from the general public.

Question 3: Where is the boundary between for-profit and nonprofit activities?

Japan is introducing similar policies to those already adopted in the US, such as decreasing governmental support to nonprofits, increasing forprofits' participation in the area where nonprofits were playing major roles, and introducing market mechanisms and competition in the area of public services. In examining the impact of these new policies on civil society in Japan, we need to remember that, in the US, such policies eventually promoted nonprofits' commercialization. As a result, in the US, the following question was raised: is there any difference between for-profit and

nonprofit organizations if forprofits and nonprofit are taking on more and more similar roles while nonprofits are increasing their commercial activities? It is crucial now in Japan to think over the third question in relation to the newly introduced policies, because, if Japanese nonprofits follow the same path as taken by US nonprofits, we know from the US experience that the legitimacy of nonprofits will be put at risk.

In the recent study mentioned above which colleagues and I conducted, we observed that the government plays a crucial role in for-profit and nonprofit dynamics in Japan. We compared financial performance and orientation of for-profit and nonprofit providers operating under LTCI. What we found was that where municipal residents' income levels were lower, for-profit corporations were still oriented to make profits however their level of financial performance was roughly the same level as nonprofit service providers. I know this is confusing but in order to explain the research outcomes accurately, I need to stick to the work "orient" or "orientation". The point is that the forprofits' honest desire or true intention of being there is to accumulate profits, and it is expressed in our research data, but they are not acting based on the desire or their basic identity. In other words, for-profit corporations were acting like nonprofit providers despite their original profit centered orientation. On the other hand, in a municipality where residents' income levels were high, nonprofits were developing similar orientations to that of for-profit corporations although their financial performance was weaker. This suggested that nonprofits were developing similarities with for-profit corporations in that socio-economic context. We also found that there was a relationship between the dynamics of the service providers and local government policy. In order for clients to be treated equally regardless of the differences in economic status, the local government in the lower-income level municipality was attempting to restrict commercialized activities by emphasizing the notion of "community welfare"; since long-term care

services are "public". In the municipality with higher income levels, the local government was arranging necessary services based on collaborative relationships with large-sized for-profit corporations. Given this environment, providers competed for wealthy clients, and quality services that were provided as options based on extra fees-for-service. Our study showed that, not only were nonprofits' becoming like for-profits through commercialization, but there are also other ways for forprofits and nonprofits to interact with each other. In addition, the dynamics between forprofits and nonprofits differ by environment and, in Japan, the government is taking an important role in the dynamics by having control over the context in which they operate.

The relationship between forprofits and nonprofits in Japan is further complicated by the fact that the legitimacy of "public-ness" comes from the government, while the legal form, structure of constituencies and board, volunteer participation rates or the amount of individual contributions receive less attention. Among the 184 providers we studied, more than one third (63 providers, 24.2%) reported that their revenue-expenditure balance was in the red. Even among the providers that successfully avoided falling into this "minus" balance, their average profit was 2.29%. These numbers suggest that providing long-term care services is not lucrative. This mostly stems from the way LTCI was designed. Numerous for-profit corporations are still willing to participate because of legitimacy. Responding to our interview questions, one manager working with a corporation operating nationwide stated;

"Our company considers this long-term care business to be a form of advertising. Our main business is renting assistive devices, and it has been growing since we started participating in LTCI. We are gaining legitimacy and trust from customers by participating in LTCI. The LTCI business itself does not bring us any profit. Actually, the revenue-expenditure balance is "zero". But think how much money it could take to

do advertising through media nationwide. Instead, we provide LTCI services nationwide. As long as we don't lose money in the LTCI business, we are completely happy."

LTCI brought about a dramatic increase of such service providers, which also created numerous employment opportunities for unskilled workers. In this system, Japanese seniors have access to long-term care services where 90% of the costs are subsidized. Indeed, the difference in legal status of the organizations providing services is not necessarily meaningful. Rather, it appears that different kinds of organizations, both forprofits and nonprofits, are participating as agents in this gigantic social economy system that the Japanese government created through the national insurance system, and each party in the system, government, service users, workers, and different providers, seems to receive benefits. Ohata (2007) states that not only Japan but also other Asian countries have not held the notion of civil society as a counter force to state power. Japan might be just an example of an Asian model where the public welcomes the intervention of government and both government and private organizations serve public on the same ground.

We still have to be careful not to fanaticize about the nonprofit nature of Japanese forprofits. The presence of nonprofit-like forprofits is not always the reflection of the forprofits' awareness of the importance of public benefit or sensitivity to legitimacy but rather related to the legal-institutional structure in Japan. Forprofit organizations in Japan are categorized in two groups: forprofit corporations (or corporations, corp.) and limited liability corporations (Ltd.). Corporations are usually medium- to large-size enterprises owned by stock-holders. Ltds are usually small and the investors are limited to company employees<sup>ii</sup>. In our study mentioned above, we observed that ltds operating under the long-term care insurance system emphasize the importance of contributing to the public interest and are less focused on earning profit. This

"nonprofitization" of ltds at a first glance partially stems from the Japanese legal system in which a large endowment required by law in order to obtain the legal status of either corporation or one of the pre-existing nonprofit organizations<sup>iii</sup>. The realistic options for small-sized organizations were to apply for status as ltd or the new nonprofit status obtained through the Specified Activity Nonprofit Organization Law. The process of establishing and operating a new nonprofit organization is more simple than under the pre-existing system, but it still requires a long waiting period, extensive paperwork and means a great deal of governmental intervention without the privilege of tax exemption<sup>iv</sup>. Since incorporating a limited liability corporation takes only ten days and there is no governmental intervention, this is the choice some have made. In addition, in case of the providers operating under the long-term care insurance system, participating in such a national-governmental program provides enough legitimacy as being a "public" entity whatever the legal form of the organization might be, as discussed above. As a result, a large number of small-sized organizations preferred to incorporate as ltds for convenience even though their incentive was serving the public, not profit gain. This highlights how institutional and regulatory conditions, as well as the difference in the source of the legitimacy, can complicate our understanding of forprofit and nonprofit boundaries in each country<sup>v</sup> (Suda, Kiguchi, Takagi, Toyoda and Chinone, 2007).

The Japanese government is now scheduled to enact a new nonprofit system in 2008. Under this new system, foundations and shadan-hojins (nonprofit organizations incorporated based on civil law, different from social welfare corporations, medical corporations, religious corporations and schools) will be divided into two groups: public foundations and public shadan-hojin which are serving public, and general foundations and general shadan-houjin which are more focused on mutual support or providing benefits to affiliate members. The general foundations and shadan-houjins will be

taxed because they are considered to represent "less" public interest. There is a possibility that such "reform" will also be extended to other existing nonprofits. If that is the case, "less-public" nonprofits may be treated in the same manner as for-profits and this will further blur the boundaries. In addition, it is very likely that the government will undertake initiatives in the reviewing process of each organizations' benefit to the public, which could enhance the existing notion in Japanese society that legitimacy and "publicness" are derived from the government.

### Re-examining the implications of the new nonprofit organization

Twenty years have passed since people started searching for alternatives in the 1980s, and dreaming about changing society. Over these years, the NPO Law was introduced while attention to volunteer activities increased. Many graduate schools have opened courses teaching "nonprofit" or "voluntary/volunteer" activities. More than one academic association focusing on such activities has been formed. We see more books and articles published about related issues. The interests of other groups, the government, general public and for-profit sector, have been woven into this development. Combined with Japan's historical and cultural context, we are now seeing the emergence of a Japan-specific civil society. Before closing this chapter, I would like to re-examine the implications of the introduction of the new nonprofit organization incorporated under the 1998 NPO Law from the perspective of the grassroots volunteers.

As stated in the beginning of this chapter, the origin of the new nonprofit organization was in the voluntary activities in the 1980s. They developed their own thoughts on how Japan's society should be based on their daily experiences at home and in their local communities. Different groups of people responded to them and these groups and finally grew to involve private foundations, leading corporations, political parties, and bureaucrats, which led to the introduction of the "NPO

Law" (Pekkanen, 2000). However, in the process, the center of the movement also shifted away from these women at the grassroots to those people in power, namely people in corporations, foundations, parties and the government. The focus of the discussions shifted as well, from the issues which were directly connected to people's daily lives such as day-care, drinking water, weekend baseball games, and local summer festivals, to highly technical matters such as whether the new nonprofit organization should be regulated by civil law or by a new law created solely for new activities, what kinds of tax policies would be appropriate for these new organizations, which part of government should supervise their activities, and so forth. Passing a new law was naturally a political process and the task of maneuvering the various conflicts of interest and power games was left in the hands of those equipped with the skills required. Some volunteer leaders and intellectuals were deeply involved in the process but the number was extremely small. Soon, the majority of volunteers found themselves in the position of being only onlookers, hoping that the discussions and negotiations being carried out in a place far from their daily lives would help make their situations better.

When the NPO Law was enacted, most volunteers did not have a clear understanding about the law. They were told that the status of the new nonprofit organization would provide them with stable revenues while there was no explanation of such revenue sources. The enthusiasm of those who were deeply involved in the political process was mistaken and many volunteers felt that they were forced to incorporate as a new nonprofit organization. Amidst the confusion, volunteers gradually made up their minds. Some chose to incorporate under the new law. Some chose to remain voluntary groups without any legal status. Some groups once incorporated as new nonprofit organizations and later returned to being voluntary groups of no legal status. Some groups could not come to a conclusion either way and were dissolved. The process of making these decisions

obviously served as an opportunity for volunteers to think through the purpose and values upon which their activities were standing. However, the benefit of the new legal status itself is unclear at the grassroots level even to this date. One of the interesting issues that arose is that those who chose not to incorporate as new nonprofit organizations are completely clear that they do not see any benefit in the new system, while many of those who chose to incorporate under the new law do not have solid explanations for their decisions. It is now an intriguing research theme, why some choose to incorporate as the new nonprofit organizations and what benefit they see in the status.

### Nonprofit organization: not just an institution but a vision for an alternative society

The presence of the new nonprofit organizations is a symbol of success from when voluntary activities questioned main-stream society and eventually influenced the main-stream to introduce a new law. At the same time, the process of developing and putting the new system into effect was taken over by those in power. It is ironic that what the new system brought back to grassroots volunteers is still not clear. What new nonprofit organizations bring to society is not clear yet either. The new nonprofit organizations are now participating in many public arenas; however, pre-existing organizations, both nonprofits and forprofits, are operating in the same areas on much larger scales. The impact of the new nonprofit organizations is less profound than these groups. Defining the distinctive roles of these new nonprofits as well as strengthening their influence over existing systems are left as future tasks. In the bigger picture we see through discussions about groups founded under the 1998 NPO Law that the new challenge facing both new nonprofit and pre-existing nonprofit organizations appears to be more serious. What they are experiencing is a realization that the "nonprofit" legal status in and of itself does not make them distinct. This chapter indicated that it stemmed from the Japanese

government's strong influence in the public sphere as well as the fact that the general public welcomed such a government presence. In addition, the recent trend of allowing both profits and nonprofit to participate in the provision of public services is blurring the difference between forprofits and nonprofits. Under such circumstances, nonprofit organizations in Japan are challenged to justify their presence.

What concerns me is that, despite such serious challenges faced by Japanese nonprofit organizations, most discussions in the related fields are more and more focused on technical and inside-organization matters such as organizational management. This might be the time for us to dream one more time to share our images of the alternative society, just as our predecessors in 1980s did. When people heard the term "nonprofit" for the first time, they were excited not only because of their interest in a new institution but also because of the images attached to the term: a democratic, free and lively society. "Nonprofit" was the key word for this alternative society. In search of the new direction this time however, the presence of a strong government and other existing systems, and probably the influence of the historical and cultural context of Japanese society, will need more consideration. In other words, the question to be asked now is; "How should Japanese society establish its own definition of government-private relationships and the role of nonprofit organizations while coming to terms with the existing systems within the context of our society?" The image of a truly Japan-specific civil society may become clearer by contemplating this question more deeply.

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i) Professor Galaskiewics stayed in Japan for four months as a Fulbright Scholar. He shares his impression about Japanese society in this intriguing essay that "Japan is flush with social capital" while there are few advocacy groups.

ii) In 2006, the Law for Limited Corporations was abolished, and any new for-profit entities became to be categorized as Corporations. Existing limited corporations were allowed to maintain the legal status. The providers interviewed in this study were all established before 2006.

iii) In order to obtain the status of "corporation" or nonprofit welfare-corporations, a large amount of endowment was required, the sum most small- to medium-sized entities could not afford.

iv) The special nonprofit organizations did not have the privilege of tax-exemption until 2006 when the related law was revised in 2006. The benefit of the revision is still very limited due to that the conditions to receive tax-exemptions are strictly regulated by government.

v) Not a few researchers in Japan consider the public nature observed among small-sized for-profit entities as a sign of the emergence of social economy or social enterprise. I personally feel uncomfortable with the discussion, especially when considering the complexity of the relations between legal-institutional conditions and the choice of legal forms.

#### Note

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