

Can a new legal framework for worker coops address growing inequality in Japan ?

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Japan's cooperative sector has serious potential. Not only is it home to the world's largest consumer coop, the Japan Consumers' Cooperative Union, but the largest agricultural coop in the world (Japan Agriculture) and the world's fifth largest insurance coop (Zenkyoren) are also proudly Japanese. However, Japan still has relatively few worker cooperatives. This is because there is no legal framework for the creation of worker coops in the country. Could the submission of a new proposed law to parliament later this year change that ? The Japan Workers' Cooperative Union (JWCU) certainly hopes so.

"For almost 20 years, we have developed our legalisation campaign," says Osamu Nakano, international relations officer for the JWCU. "There are 1800 local governments in Japan ; nearly 1000 [of them] have already submitted petitions for the enactment of a worker coop law to the central government." After years of building momentum and broad support, the JWCU believes that 2018 will be the year that Japan realises the full potential of worker cooperatives and increases workers' economic power.

Worker owned-cooperatives are businesses in which the employees own the company. This allows them to make decisions democratically, and often collectively. They range in size from micro-enterprises to large international companies, and they are particularly common in the United States and Europe – in the latter, cooperatives are said to represent [over 140 million members, 4.7 million employees and 180,000 enterprises](#).

Despite the lack of worker-owner cooperatives, Japan's cooperative sector is one of the biggest in the world, with over [65 million members](#) – nearly half of Japan's 127 million-strong population – and over US\$145 billion in yearly turnover.

The sector played a key role in the country's reconstruction and growth after the Second World War, and Japan's coops are unique in how wide-ranging the scope of their operations can be. For example, Japan Agriculture, unlike most agricultural coops around the world, actually operates as a multi-functioning cooperative, meaning that in addition to its agricultural reach, it has a financial arm, provides mutual insurance and conducts marketing, as well as other activities on behalf of its members.

Many credit the strength of the cooperative sector as one reason that Japan has lower income inequality in [comparison to other developed economies](#). However, this is beginning to change.

Despite a historically low unemployment rate of just 2.8 per cent, poverty, inequality and contract work are all rising. In fact, Japan's economy is facing several challenges, many of which are compounded by the fact that in 2011, the country's population began to fall. In fact, over a period of

five years, the number of people in Japan [shrunk by almost a million people](#). This is the first time in modern history that a peace-time nation has experienced a population decline, and decades of low birthrates and strict immigration policies are two key factors of this trend.

“Many people believe that Japan is a rich country, and in a certain sense, it is true. There are many rich Japanese. However, the gap between rich and poor is growing more and more,” says Nakano. “We are trying to provide solutions for these social problems.”

If the law is changed, Nakano and others believe that worker cooperatives will be able to play a much larger role helping to address social challenges in Japan by expanding their elderly care, childcare and youth services. In fact, they already are. Despite the lack of a legal framework, the JWCU currently has over 13,000 worker-members, mostly in the various social care sectors in local communities across Japan, using a legal workaround to operate as de-facto worker cooperatives. In many ways, they operate as worker-owned social cooperatives, focused not on making a profit for worker-owners but on the provision of social services to those in need.

“Worker and social cooperatives in Japan are already finding innovative ways to answer to the socio-economic needs of the Japanese society strongly characterised by a need for adapted elder care,” says Leire Luengo, a spokesperson for the International Cooperative Alliance.

“These issues are seriously being developed by Japanese worker coops,” says Hyungsik Eum of CICOPA, a global organisation for cooperatives in industry and services. “The movement is a very unique model that combines the worker cooperative and social cooperative model.”

Inhibited by complex laws

The reason that Japan lacks the legal framework for worker coops is because of the way in which the sector is organised legally. Unlike in several European countries, Japan has no single cooperative law. Instead, each sector has its own separate legal framework, which often requires pre-approval from a different ministry, making it challenging to start new cooperatives or cooperative across sectors.

“The situation in Japan is exceptional,” says Eum. “In many countries, cooperative legislation falls under general legislation.” The current state of play means that JWCU members cannot register their businesses as worker coops, even if they operate as such. Instead, they use convoluted legal loopholes such as registering as a non-profit (a Japanese version of a social enterprise) or as an unincorporated association, which is “very time consuming and complex,” according to Nakano.

The idea is, if it becomes easier to setup worker coops, these organisations can provide even more social services to address rising inequality, long working hours and exploitative working conditions. But there is an even bigger potential – to make worker-owned cooperatives a true business option for all Japanese people, as the bill would make registering a cooperative as easy as starting a regular, for-profit business.

“If we have a new law on our own, then generally anybody, any citizen in Japan, can easily establish a worker cooperative of their own,” says Nakano.

The momentum is growing. The JWCU plans to submit, along with its allies, a proposal for a worker-cooperative law later this year. This comes hot on the heels of April’s launch of the Japan Cooperative Alliance (JCA), a new national-level organisation which aims to increase cooperation amongst cooperatives and represent the sector through policymaking and public relations. If

everything goes to plan, the JCA's membership will include a growing worker coop sector as well.

"We can help coops address local challenges – ageing, poverty, decreasing [economic] energy of local communities – by sharing cooperative resources. We can do more to solve local challenges," says Kenki Maeda of the JCA.

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