



## 1. Necessity of Legislation

- ❑ There is an urgent need for a system that allows one to easily establish a not for profit enterprise that puts people and their needs & aspirations at the center, while integrating capital contributions, as well as maintaining internal governance that reflects on the opinions of members and, functions economically while contributing to the community and solving local problems. This equation helps different stakeholders including the government and at a more local level, the institution of a family, realize sustainable and vibrant development.
- ❑ Under the current law, there is no legal entity with such characteristics, so it is necessary to legislate a new legal entity.

|                             | <b>Joint Enterprise Cooperative</b> | <b>Non-Profit Organization</b> | <b>Worker Cooperative</b>   |
|-----------------------------|-------------------------------------|--------------------------------|---|
| <b>Capital Contribution</b> | ○                                   | ×                              | ○   |
| <b>Establishment</b>        | <b>By Approval</b>                  | <b>By Certification</b>        | <b>Principle Based Approach</b><br>* the principle of authorizing its establishment when the requirements are satisfied |

## 2. Salient Features of Worker Cooperatives Act in Japan

- ❑ It is a new cooperative act in Japan for last 42 years, since 1978 when Forestry Cooperative Act was enacted.
- ❑ It consists of 171 Articles (137 provisions and 34 supplementary provisions).
- ❑ In accordance with the universally recognized fundamental principles of cooperatives and the international statement on the cooperative identity, a member shall contribute to the capital of the worker cooperative, when joining it, and shall engage in its business.



- ❑ A worker cooperative is also guided by the 2002 ILO Recommendation 193 on promoting cooperatives and is thus obliged to uphold a high level of labor standards. To the least, it enters into labor contracts with its worker-members and assures them dignity at work and “decent work”.
- ❑ The ultimate purpose of the act is to contribute “the realization of sustainable and vibrant communities” through the activities of worker cooperatives. This is based on the 7<sup>th</sup> Cooperative Principle (Concern for community: cooperatives work for the sustainable development of their communities through policies approved by their members) and also reflects the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015. It is for the first time that the SDGs or its fundamental spirit is written in cooperative laws in Japan.
- ❑ The act adopts the so-called “principle based approach”. The establishment of worker cooperatives is authorized when the conditions defined in the act are met. This sharply contrasts with other cooperatives in Japan that can be established upon approval from the governmental ministries in charge (non-profit organizations in Japan also need to obtain the administrative certification for its establishment).
- ❑ There is no dividend on capital contributions (elaborating its non-profit character). A dividend based on surplus, depends on the amount of use of and transaction with the cooperative’s business, i.e. the amount of work.
- ❑ The act also includes provisions for the articles, officers (board members, auditors, member audit committee, etc.), the general assembly, the supervision by administrative agencies, the conversion from joint enterprise cooperatives or non-profit organizations to worker cooperatives, items for further consideration (in five years after the enforcement), etc.



### 3. Excerpts

#### Article 1 Purpose

Based on the current situation in which opportunities to work according to individual motivation and ability while maintaining harmony with life are not always secured sufficiently, the purpose of this Act is to provide the necessary matters such as the establishment, management and others, concerning the organizations of which the fundamental principle is that the members make capital contribution to them, and their businesses are conducted by reflecting the opinions of the members, and that the members themselves are engaged in their businesses, and to promote the creation of diverse employment opportunities through those organizations, and to promote the Implementation of businesses to meet diverse demands in local communities by them, thereby contributing to the realization of sustainable and vibrant communities.

#### Article 3 The Fundamental Principle, Other Standards and Administrative Rules

1. A cooperative shall aim to contribute to the realization of sustainable and vibrant communities by conducting its business in accordance of the following fundamental principles.

1. A member shall contribute to the capital of the cooperative.
2. The opinions of the members shall be appropriately reflected when conducting the business of the cooperative.
3. A member shall engage in the business of the cooperative.

2. A cooperative shall satisfy the following requirements in addition to the provisions set forth in the preceding paragraph.

1. A member shall be able to join or withdraw from the cooperative voluntarily.



2. A cooperative shall enter into labor contracts with its members by following the provisions set forth in Article 20-1.
  3. A member shall have equal voting rights and rights to elect, irrespective of the number of units of contribution they have offered.
  4. Members who enter into labor contracts with the cooperative shall hold a majority of the voting rights of all members.
  5. A dividend based on surplus depends on the amount of members' engagement of the cooperative's business.
3. A cooperative shall not conduct its business for profit.
  4. A cooperative shall have the purpose to directly serve its members through its activities, and it shall not conduct any activities for the purpose of only benefiting specific members.
  5. A cooperative shall not be utilized for any specific political party...

#### Article 8

1. More than four-fifths of the total members of the cooperative shall engage in the business conducted by the cooperative.
2. More than three-fourths of the persons engaged in the business conducted by the cooperative shall be members...