



Social Enterprise in South Korea

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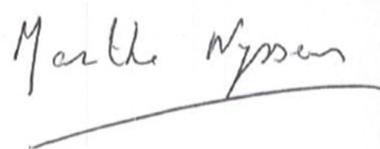
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1. INTRODUCTION

Until the early 2000s, the concept of social enterprises was not well-known in South Korea; awareness of social enterprises first began to spread in the country during the late 1990s, among social and civic groups as well as among reform-minded intellectuals who were preoccupied with the issues of poverty and rising unemployment caused by the unprecedented economic turmoil at that time. The subsequent arrival of the democratic Kim Dae-jung (1998-2003) and Roh Moo-hyun (2003-2008) administrations came to place emphasis on the role of social enterprises as part of a concerted policy effort to combat poverty and unemployment. In 2006, South Korea enacted the Social Enterprise Promotion Act, thus becoming the first Asian nation to legally stipulate the conditions and qualifications for social enterprises and to adopt policies for promoting them.

The concept and policies regarding social enterprises in Korea were, arguably, deeply influenced by the experiences of European nations (Defourny and Nyssens 2012). This is evident in the Social Enterprise Promotion Act (hereafter, SEPA). The second article of the SEPA states that social enterprises are “those companies that have been certified (...) that engage in business activities such as the production and sale of goods and services with the objective of achieving social goals, including providing vulnerable groups with social services or jobs, thus improving the local residents’ quality of life.” Additionally, for an enterprise to be legally recognized as a social enterprise, the SEPA requires that it “adopt a decision-making structure where stakeholders (including service recipients, workers, etc.) are represented” and that “at least two-thirds of any profits generated (...) be used for the realization of social goals”, thus making the elements of participatory decision-making and social contribution mandatory requirements.

In the realm of government policy, the term “social enterprise” specifically refers to strictly-defined entities such as government-certified enterprises and provisional social enterprises. However, outside of this field of governmental policy, enterprises that can be considered as social enterprises have evolved along varied paths in South Korea, in a broad range of areas within the “ecology of the social economy”. Defined broadly, social enterprises include most of the actors in the ecology of the social economy, and the scope of their activities encompasses a far wider range than those activities recognized by the government. Besides, some organizations that could be considered as proto-social enterprises were active in South Korea long before the discourses on social enterprises even began to emerge. It therefore follows that the idea of South Korean social enterprises should be understood as a much wider concept than what is officially recognized by the government. This is the approach taken in this study.

The structure of this paper is as follows. In the second section we begin by examining the socio-economic background within which the concepts of social enterprises and social economy were adopted in South Korea. In the third section, we describe the processes by which key types of social enterprise were established and spread in South Korea. In doing this, we shall also review how the civil society has interacted with the government to define the values and social roles of social enterprises. In the fourth section, we select representative cases from each type of social enterprises, and examine their characteristics. Finally, we conclude by briefly summarizing the findings of the study and by discussing some of its implications.

2. SOCIO-ECONOMIC BACKGROUND AND THE CONCEPT OF SOCIAL ECONOMY IN SOUTH KOREA

The South Korean strategy for economic development—a state-led and export-oriented approach—faced a major crisis during the late 1990s. Due to the accumulation of overinvestment and current account deficits, society in general was swept into a huge economic crisis that broke out near the turn of the century. Unemployment skyrocketed as the economy faltered, which led to a rise in poverty. The enactment of pro-market economic reforms and a drive for labor market flexibility, which were the terms of the bailout program by the IMF, exacerbated the situation.

While the South Korean economy subsequently experienced a quick recovery and the unemployment rate declined, the number of people in poverty only shrunk temporarily before continuing to grow again (see Figure 1a). This can be attributed to the higher flexibility in the labor market, which led to a deterioration in the employment structure (linked e.g. to a higher proportion of irregular workers) and the proliferation of low-paid precarious employment. The passive welfare regime that was in place at the time, which relied upon derived job creation through the trickle-down effects of economic growth, was unable to adequately deal with the rise in unemployment, poverty, and job insecurity.

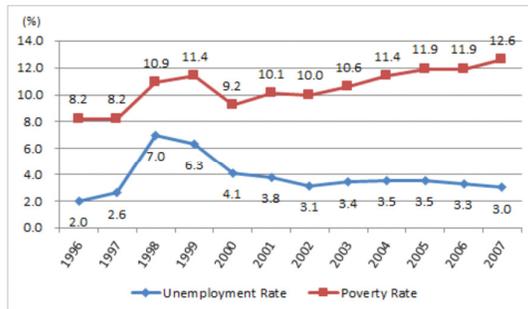
As the 1990s progressed, fundamental changes also became apparent in the population structure, which, along with a strictly enforced family planning program, had contributed to successful economic development in the past. The fertility rate declined rapidly, dropping from 1.76 in 1992 to 1.17 in 2002, and has remained among the lowest in the world ever since. South Korea also became an aging society; the share of the 65-and-over population reached 7.1% in 2000. The rapid drop in the fertility rate, as well as the need for policy measures to counter it, emerged as topics for national debate. An expansion of the underdeveloped (compared to developed countries) social services sector was proposed as a key policy agenda. Figure 1b shows that, as of the early 2000s onward, South Korea has had a much lower proportion of workers employed in health and social services than other developed countries.

Meanwhile, with the demise of the trickle-down effects that had accompanied the years of rapid growth, and the reorganization of all aspects of society along a market-centric notion of order, various social problems that used to be less visible during the high-growth years began rising to the surface. The transitions in the structure of the economy have given rise to new issues and challenges that cannot be adequately addressed by government-led welfare policies and the existing welfare institutions alone.

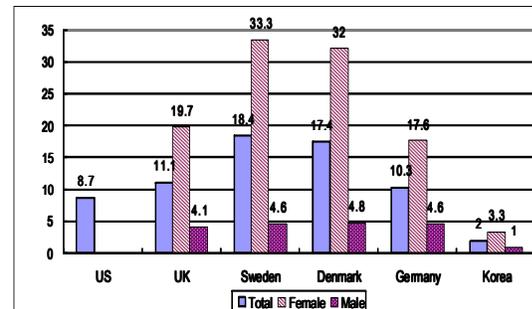
Around 2000, civil society initiated a policy agenda to create social jobs; such agenda consisted in a “translated” version of social enterprises to tackle unemployment and poverty caused by the economic crises (Hwang 2000). Then the initiative was quickly institutionalized and led to the adoption of social enterprise as an instrument of government policy to create jobs and provide social services. With the institutionalization of policies supporting social enterprises, social enterprises in turn became more dependent on government policies. The fact that the support for social enterprises sometimes makes the social mission instrumental to government policies is a problem that has also been reported in Europe, where social enterprises developed much earlier (Defourny and Nyssens 2008).

Figure 1. Socio-economic background behind the introduction of social enterprise in South Korea

(a) Unemployment rate and poverty rate (1996-2007)



(b) Proportion of employment in health and social services (2001/2002)



Note: The poverty rate is a relative measure for urban wage earner households of two or more persons.
Source: Statistical Office of Korea, Statistics Portal (www.kosis.kr); ILO, ILOSTAT Database (www.ilo.org/ilostat).

Civil society movements increasingly began to call for autonomous efforts on the part of social enterprises, for those enterprises to move beyond being a means of government policy delivery and to contribute to the development of the social economy. Social economy was also a new concept at the time in South Korea. Civil society paid attention to the value orientation of the social economy concept in Europe (Defourny 2001), and expected the concept to be a possible alternative way of thinking to mitigate the dependency on the government and promote democratic governance of social enterprises (Kim 2009; Jang 2013). The concept of social economy made it possible for civil society to consider the ecology of the social economy as a broader social base of social enterprises development. A consensus on making the right of freely organizing cooperatives a right for all, with a view to vitalizing the social economy, formed among the political community, and the Framework Act on Cooperatives was passed in December 2011. Before then, strict regulation prohibited South Koreans from establishing cooperatives freely, except for the eight types of cooperative allowed by special laws.

In addition, three different bills, named as the Framework Act on the Social Economy, were proposed by both the ruling party and the opposition parties. The bill is still pending in the National Assembly as of June 2016. If the Framework Act on the Social Economy is enacted, South Korea will be the first country in East Asia to officially define the concept of social economy. The civil society, however, fears that social economy organizations might follow the same development path as social enterprises and become dependent on government support.

3. IDENTIFYING SOCIAL ENTERPRISE MODELS IN SOUTH KOREA

3.1. Literature review on social enterprise typology

There are only a few studies in the social economy literature that have attempted to put forward a theoretical typology of social enterprises. The 2001 study by EMES, *The Emergence of Social Enterprise*, highlighted the fact that SEs were found mainly in three fields: work integration, provision of social services and community development. The identification of these three major fields was not really a typology, properly speaking, but it came close to it; it was based on the historical context within which social enterprises were formed in Europe

(Borzaga and Defourny 2001). Later studies that proposed typologies mostly fall under two major categories, namely those that focus on the foundations of the organizations and their developmental histories (Spear et al. 2009) and those focusing on the social goals (or missions) that the social enterprises intend to address (Gordon 2013; Kazmierczak 2013; Alter 2014). Meanwhile, Defourny and Kim (2011) have proposed a typology that focuses on the organizational characteristics of social enterprises, based on their foundations and developmental history, while also taking into account their social mission.

Each typology has its strengths and weaknesses. Focusing on the organization's foundation and history allows clearer categorization and greater ease in deriving policy implications for each type of organization. However, such approach also entails the risk of overlooking the background that gave rise to the social enterprise as a social outcome to achieve socio-economic goals. Conversely, focusing on the organization's social goals may lead to ambiguous categorizations, because social enterprises often work towards various goals at the same time. Meanwhile, a social enterprise's legal form may also serve as an important criterion in forming a typology. In particular, early social enterprises in South Korea were often defined according to their associated policies and formed according to organizational requirements. Self-sufficiency communities, social job program agencies, workshops for the disabled, and social enterprises were all organizations that were created in response to policy needs; and with the enactment of the Framework Act on Cooperatives in 2012, many social economy organizations started considering transitioning to the form of cooperative. However, following this kind of criterion entails a risk of confining the area of social economy only to organizations that perform government-defined functions.

In view of these points, the typology employed in this study focuses on the interaction between civil society, the state, and the market in their efforts to solve social problems, within the context of the foundation and developmental history of each social enterprise. The typology used here will focus on social goals while taking the organizational form into consideration when selecting representative social enterprises so as to present a broad array of developmental histories.

3.2. Development of social enterprise models in South Korea

Before the emergence of social enterprise as a policy agenda in South Korea, there were already various types of social enterprise-like organizations that had grown and developed as part of the broader civil society movement. For example, the Wonju region is notable for its cooperatives, which are part of its regional community movement. The Wonju cooperative movement, whose roots can be traced back to the establishment of the "Holy Family Credit Union" in the 1970s, grew into a consumers' cooperative movement after issuing the "Hansalim Declaration" and engaging in activities as a consumers' cooperative. In the 1990s, production community movements taking the form of workers' cooperatives were organized by activists in the urban poor movement, which laid the foundations for the self-sufficiency production movements that would follow later. The local-food and eco-friendly-food movement, which began with the Hansalim Co-op, developed into Dure Co-op, I-coop, Happy Co-op, and various other consumers' cooperative movements, while after the mid-1990s, medical consumers' cooperative movements oriented towards alternative medical services spread nationwide.

Another origin of social enterprises can be found in the public works programs implemented to face the 1997 financial crisis. In a context characterized by mass unemployment and a lack of social safety nets, the government implemented large-scale public works programs as a temporary measure to safeguard livelihoods, bringing civic groups into the framework by entrusting them with running the programs. In preparation of the era of “jobless growth” that South Korea would be faced with, civic and social groups had the vision of developing socially beneficial jobs, referred to as “social jobs”, through public works. By urging the government to institutionalize these programs, they sought to secure jobs for people who were excluded from the labor market as well as to provide them with stable incomes.

Subsequently, social jobs took the route of further institutionalization with the introduction of the National Basic Livelihood Security (hereafter NBLs) system in 2000 (Kim 2000). The new guaranteed minimum income system gave cash benefits even to the able-bodied working age population on the condition that the able-bodied jobless should participate in self-sufficiency program. The Kim Dae-jung administration pushed through the legislation of the NBLs Act under the slogan of “productive welfare”. Some activists from anti-poverty movements who were involved in self-sufficiency movements considered these reforms as being conducive to positive welfare, in that they could support the poor to help themselves through self-sufficiency programs. This process means that South Korea was able to institutionalize “work integration” social enterprises through the cooperation between civil society and a democratic government. Therefore, the first type of social enterprise considered in this study will be the “work integration” social enterprise. It has to be noted that, during the initial stages of their institutionalization, social enterprises were virtually indistinguishable from self-sufficiency programs, and for many observers at the time, all social enterprises were “work integration” social enterprises.

However, new forms arose, along with changes in the socio-political environment. Not only was the agenda broadened beyond work integration to include the creation of jobs in the social service sector; the emergence of new social challenges also prompted the widening of perceptions regarding the role of social enterprises. These changes took place with the arrival of the Roh administration in 2003. In terms of welfare policy, cash-based social security systems had become well-established during the course of the previous administration, and there was growing interest in social services to address the issues of low fertility and population aging. A pilot program for social jobs was launched by the Ministry of Labor in the summer of 2003 and an expanded policy for the promotion of social services through programs for the creation of jobs in 10 key social areas was implemented in 2004. Areas whose viabilities had been verified through previous self-sufficiency programs and the pilot program for social jobs, such as integrated education for disabled children, after-school classes, local child centers, forest-keeping, etc., were selected (Presidential Committee on Social Inclusion 2004). In 2006 the social jobs creation program was expanded to programs for the creation of social services jobs, thus further strengthening the importance of these jobs. The Roh administration’s emphasis on the creation of social services jobs led to the emergence of “social services provision” social enterprises. This is the second type of social enterprise we shall define for this study.

The Roh administration sought to reorient policy toward developing “continuous and stable social jobs” into social enterprises (Presidential Committee on Social Inclusion 2004). The Social Enterprise Promotion Act was enacted by late 2006 and enforced on July 1, 2007. Policies regarding social enterprises became fully-fledged with the enactment of the law. Also, serious effort was directed at moving away from the creation of short-term jobs to more sustainable ones.

Along with the development of social enterprise policy by the central government, local governments proactively began to participate in social enterprise policies, alongside the continuing efforts by the civic societies for the regeneration of regional communities and the emergence of regional issues in the wake of the 2008 global financial crisis. This has led to the emergence of a new strand of social enterprises, which focused on regional issues. Region-based cooperative movements predate the emergence of social enterprises, as evidenced by the movement's long history in Wonju. Furthermore, during the mid-2000s, there were numerous efforts for the revitalization of regional communities and revitalization models coupled with government support. These efforts bore fruit in some regions, where the proactive support by local governments played an important role. Wonju, Wanju, Buan, Sungmi Mountain, Hongsung, Bucheon, and Seoul are some examples hereof. These can be understood to represent the appearance of "regional regeneration" social enterprises. This is the third type of social enterprise identified in this study.

Social enterprises are also linked with various social movements. Social enterprises became increasingly involved with goals linked to the advancement of various social objectives, beyond the scope of the traditional goals of work integration, social services provision, and regional regeneration. In this study, we identify movements for the creation of an alternative society, based on principles of mutual benefit and equality—movements for local currency, fair trade, fair travel, local food, etc.—which are organized in the form of social enterprises as "alter-economy" social enterprises. These may also be referred to as "social innovation" or "new social movement"-type social enterprises. This is the fourth type of social enterprise defined in this study.

While we have adopted a typology made up of four types of social enterprises in South Korea for this study, these types are far from immutable. If some other form of social enterprise emerges to address a new social issue, and if this leads to a new strand of similar enterprises, that would warrant the creation of a new type of categorization. Moreover, the fourth type—namely alter-economy social enterprises—is a particularly disparate group, and it is highly probable that it may split off into different types in the future.

4. CHARACTERISTICS OF SOCIAL ENTERPRISES BY TYPE

4.1. Work integration social enterprises

The roots of work integration-type social enterprises in South Korea can be traced back to the self-sufficiency programs and the ensuing social enterprises created to combat unemployment and poverty during the Kim Dae-jung administration. Three of the four work integration social enterprises we investigate in this study (namely Il-nanum Social Co-op, Hamkkeil-Sesang Co. and Sarang-Sonmat - Happy Meal Nowon branch) began as self-sufficiency initiatives.

Il-Nanum Social Co-op was founded in 2009 as a corporation by the merger of three self-sufficiency communities that were operating in three main fields of self-sufficiency programs: cleaning, care services, and housing maintenance. It transformed its legal status into a social cooperative in 2014 after the enactment of the Framework Act on Cooperatives. Hamkkeil-Sesang Co. is a corporation that led the introduction of eco-friendly cleaning and maintenance in South Korea. It expanded its business from Siheung to other regions and established four independent companies in other regions. So it is now a business group of five companies and it constitutes one of the success stories of self-support communities. Sarang-

Sonmat provides meals for poor neighbors. It is a partner of the CSR project of SK groups, Happy Meal, which provide undernourished children with packed meals. The fourth case is that of Dongcheon, which is a work rehabilitation center for disabled people. It was founded by Dongcheon social welfare foundation in 1993 and is currently famous for producing good-quality headwear. The four cases are all certified social enterprises.

The characteristics of work integration social enterprises in South Korea can be summarized as follows. First, the enterprises considered here focus mainly on cleaning, care-taking, providing meals, sewing, and other labor-intensive industries. This reflects the fact that the workers here are usually older, unskilled, and are frequently affected by disabilities. However, through extended on-going operation, these enterprises have managed to enhance their management capacities as well as their human resource management skills.

Secondly, their main source of revenue comes from the public sector; these enterprises obtain these resources by performing tasks such as cleaning, maintenance or public meal provision, as well as by taking part in public procurement or in social service voucher programs. Public institutions are often required to prioritize contracts with social enterprises, providing them with a better access to the public sector. Protected markets for organizations whose goal is to create jobs to integrate those who find it hard to find a job in the labor market constitutes the basis for the survival of these enterprises.

Thirdly, because of their weak capacity, work integration social enterprises are often unable to implement additional work integration programs such as direct occupational training, resulting in constrained growth. With the exception of Dongcheon, a work rehabilitation facility for the disabled, none of the enterprises considered in this study had regular training programs for their workers.

Fourthly, the enterprises considered here did not link welfare service providers for their workers, nor did they provide any additional welfare services other than providing work experiences. This represents a challenge that they will have to address in order to enhance their performance in terms of work integration.

4.2. Social services provision social enterprises

Of the 1,165 certified social enterprises operating in South Korea as of September 2014, only 60 specialized in social services. However, a larger number of enterprises (156) operated joint missions, aiming both to provide social services and to create jobs. Among the enterprises involved in job creation, many are indeed active in the social service field. As of September 2014, the distribution of all social enterprises by industries showed evidence of numerous enterprises working in areas related to social services, such as: health (12), childcare (19), social welfare (101), caretaking and housekeeping (76), culture (183) and education (79) (source: press release, September 25, 2014, by the Korea Social Enterprise Promotion Agency, "Current Status of Certified Social Enterprises, as of September 2014"). In total, there were thus 470 enterprises operating in the social service sector, thus accounting for 40.3% of all certified social enterprises.

In many cases, social enterprises that are certified for different activities are also active in providing social services. Also, because many social enterprises started out as self-sufficiency programs or social job programs, it is not uncommon for some enterprises to begin by focusing on job creation before gradually considering the provision of social services in the process of expanding public social services.

The following are the four organizations that we chose as representatives of the social services provision social enterprises.

The first case is Ansan Medical Welfare Social Co-op, which was active before the phenomenon of social enterprises really emerged in South Korea. It belongs to the category of medical consumers' cooperatives, one of the archetypal forms of social services provision enterprises. The second organization is Human Care Co. While it is a corporation, it operates as a worker-owned firm through an employee stock ownership program. It has been selected as an exemplary case of a for-profit social enterprise that is run democratically. The third organization is Dounuri Social Co-op. It began as a self-sufficiency program, later becoming a self-sufficiency community before transitioning to a social co-op (the first social co-op registered by the Ministry of Health and Welfare). It provides a good example of how social services provision enterprises have developed into social co-ops. The fourth organization is Dasom-I Foundation. It started out as a care-taking program, in collaboration with Kyobo Life Insurance Co. as a corporate social responsibility (hereafter, CSR) program and was the first social enterprise to be certified. For this study, it has been selected as representative of social enterprises operating in collaboration with CSR initiatives.

The majority of social services provision-type social enterprises operate with the joint objectives of providing social services and creating (and sustaining) decent jobs. In particular, enterprises that began as self-sufficiency programs still place emphasis on this job-creation goal; simply, their focus has shifted from the creation of jobs to the maintenance of decent jobs. In view of these changes, in the case of maturing certified enterprises, greater importance should be placed on the sustainability and quality of work rather than indiscriminately demanding the creation of jobs for disadvantaged workers when overseeing social enterprises in the future.

Most social enterprises pursue the shared goals of managing their organization democratically and encouraging the participation of diverse stakeholders. The organizations presented in this study have approached this in a variety of ways. One important implication is that, while the legal form of the organization is still important, the way in which an organization is actually run cannot be overlooked. It is important for co-ops to practice democratic management and encourage the participation of their constituents. Meanwhile, it is possible to implement a democratic mode of operation even if the organization is not legally defined as a co-op. For instance, while Human Care Co. is a legally a corporation, in reality it runs an employee stockholder program and its decision-making methods are guided by the "one person, one vote" principle. Despite these accomplishments, more efforts on the part of these organizations are needed for them to operate according to democratic principles.

Dasom-I, which is legally an incorporated foundation, has a governance structure that includes the most diverse range of stakeholders. In particular, its operational committee guarantees the participation of stakeholders (including a worker representative) while businesses that have made CSR investments, experts, and organization representatives sit in the board of directors. This reflects Dasom-I's characteristics as a CSR-oriented social enterprise. It is representative of a form of governance which places greater emphasis on participation by stakeholders than on participation by the organization's members.

Social enterprises, in addition to pursuing social goals, must also be mindful of their viability as companies. The organizations presented here can be considered exemplary in terms of their commitment to advancing social goals. However, they still have a long way to go until they secure true economic self-reliance. This applies to both the Ansan Medical Welfare Social Co-op and the CSR-based Dasom-I Foundation. Policies must be developed to ensure the long-term sustainability of social enterprises whose main field of activity is social services provision. Under the current public tendering process, social enterprises might get preferential treatment. However, preferential treatment policies by the government do not guarantee social enterprises to be awarded a contract. Each social enterprise should demonstrate its social value, while policies should make concrete efforts to link the support to social enterprises (and co-ops) with the realization of social values.

4.3. Regional regeneration social enterprises

Regional regeneration social enterprises are disparate in terms of organizational form or industry, but they share the trait of being mostly social economy organizations that are centered on some regional community or smaller city. With the region as their spatial sphere of activity, these enterprises have been involved in programs within their respective regions as well as various projects that link their region to outside markets. Regional social enterprises play an important role because they are able to proactively address diverse social issues in their local communities, maintain local employment, and contribute to regional integration and vitalization despite often difficult circumstances.

In this study, we present four organizations of this type that have gained prominence recently. The first case is the Cheonan Housing Welfare Center Co., which began as a self-sufficiency work group, the “Toad Construction Company”, in 2002. The Center pursued various programs to address the housing difficulties of low-income families in collaboration with Cheonan city’s public institutions and businesses. The main engines of the Center’s growth have been innovative leadership, the dedication and expertise of its workers, and its ability to mobilize regional resources through mobilizing its vast local networks.

The second organization presented here is the High-One Bakery. It was established in 2013 by the High-One Hope Foundation, an affiliated body of Kangwon Land Co., one of Kangwon Province’s most prominent public enterprises. It received provisional certification as a social enterprise in 2014, and has currently grown into an exemplary case of a regional CSR-oriented organization operated by a public enterprise. Kangwon Land, the parent company of High-One Bakery, is a public enterprise which operates a casino; the bakery aims to reintegrate gambling addicts back into society through providing them with occupational training, rehab, and jobs. High-One Bakery also supports the vitalization of the regional economy through its business operations.

The third organization, Chuncheon Urban Farming Center, received provisional certification as a social enterprise in 2011 and is currently operating as a social enterprise of 10 employees. Working in close cooperation with Chuncheon city, it has combined public works programs with its operations as a social enterprise to provide job creation programs for approximately 20 workers. It promotes the use of small gardens for urban farming, and has also recently begun to manufacture furniture.

The fourth enterprise studied here is the Dongne-Bangne Co-op, created in Chuncheon in 2012. This organization operates in the niche area of local tourism for the vitalization of the regional community. It was first established as a social venture business by local youths, providing guides to tourists. After registering as a provisional social enterprise in 2014, it reorganized into a co-op and is currently led by local college graduates. Dongne-Bangne's social mission is to promote local revitalization through tourism and culture. It has recently sought to refine the objectives of its mission, with new focus being placed on the vitalization of inner-city areas.

The key findings of the case study on the regional regeneration social enterprises are as follows. First, because most regional regeneration social enterprises are latecomers as compared to other types of social enterprise, they tend to be smaller and are far from being well-established. They will need to find out firmer foundations upon which to base their activities.

Secondly, these enterprises pursue a very diverse range of social goals and activities, which gives them the potential to create a social economy ecology in their regions. For these enterprises to take root within their regions, they must form stable cooperative relationships with local residents, business, and local governments, as well as establish links with markets outside their regions.

Thirdly, although the regional regeneration social enterprises are lacking human, material, and financial resources, they hold great potential for contributing to the integration and revitalization of regional societies through innovative and creative activities. These enterprises can also serve as a channel for encouraging the social participation of local residents. They can also provide young local talents and skilled senior citizens with the socio-economic opportunities to engage in social activity.

4.4. Alter-economy social enterprises

Alter-economy social enterprises have some unique characteristics that set them apart from other social enterprises. One such important characteristic is that they seek to implement or discover various different methods of social innovation. While these organizations are usually led by younger people, recently a more diverse group of people—including retirees, senior citizens and others—have engaged in activities to address social issues by innovative means.

Wonju Food Co-op began as an initiative of the Wonju co-op movement that later evolved into a regional community business rather than a corporation. While its management can be complex, due to the large number of stakeholders, years of experience in cooperation have led to a reduction of obstacles to communication and to a stable operation by democratic principles. This is a strength of Wonju Food Co-op that is not enjoyed by many other co-ops. Starting with the Ordinance for Eco-friendly School Meal Support and as the center place in charge of its implementation, the Wonju Food Co-op has evolved into a solver of regional social issues. While its wages are moderate, employment is stable and the working conditions are relatively favorable, which has ensured the stability of its workforce.

Farmer's Market Co-op is a region-based distributor of local foods. As a social economy organization, it pursues a business model oriented to local food with the personal involvement of seller-producers. Rather than competing in existing markets, this enterprise has opted for a new kind of market, which is created jointly by the regional communities to whom the buyers

and sellers belong. Because so-called “mutual benefit markets” can develop through the relationships between regional communities and through the relationships between buyers and sellers, Farmer’s Market Co-op has made many efforts regarding involvement in regional communities, including small gatherings, tastings, promotion, and networking. So far, the enterprise continues to rely on public wage support due to modest profits, and its shortage of workers has not been resolved. As is the case with many other social enterprises, these are challenges that Farmer’s Market Co-op must eventually overcome.

Transition Technology Social Co-op aims to spread the use and awareness of appropriate technology. It has trained regional experts in appropriate technology through ongoing classes and has also contributed to establishing foothold organizations for appropriate technology. It currently plans to draw on these networks and the participants’ expertise in various fields to produce appropriate technology goods for use by the general public. The co-op has enabled interested persons from different regions to meet in training sessions and form informal groups or workshops in the form of co-ops. In this way, the Transition Technology Social Co-op has sought to play a role as an incubator for startups, as well as to spread social awareness on appropriate technology. The establishment of the co-op has led to an expansion of organizations working in the field of energy, which had been previously under-represented in the social economy. Because appropriate technology combines technological innovation with a region’s traditional technologies and materials, it must reflect regional characteristics. Therefore, the Transition Technology Social Co-op has the opportunity to evolve into a model for region-based social enterprises.

Community Bank Bin-Go operates with the goal of practicing community-based finance, which radically differs from the market method followed by financial institutions. It aims for social innovation through establishing an innovative financial community, which encompasses characteristics such as non-hierarchical management, community-controlled finance, equality between debtor and creditor, reinvestment in the community, and investment in regional communities for social solidarity, all of which are completely distinct from the characteristics of market-oriented financial relations. The experiences of those who were excluded from the usual financial channels as well as the difficulties experienced by younger generations lie at the heart of these innovative methods of operation. The experimental attempts by Community Bank Bin-Go have many implications for youths who are experiencing financial difficulties or who wish to lead different lives. Community Bank Bin-Go’s experiences correspond to an adventure where both prisoners from Tucker’s well-known dilemma have chosen to trust each other. It endeavors to develop into a financial institution capable of realizing social solidarity through the use of the community’s social capital.

The key findings of the case study on the alter-economy social enterprises are as follows. First, these initiatives tend to center on new issues, which were originally propounded by social movements. With the emergence of the social economy as a key issue in South Korea’s civic societies, new activities that merge social movements with the economy are appearing. Such areas of activism include appropriate technology (alternative energy development), alternative finance (local currency), local food, fair trade, community housing, alternative regional development, international solidarity, and other areas where earlier social enterprises had not been active. Early participants in these areas included civic groups, research institutes, political parties, informal networks, and regional communities.

Secondly, most of these social enterprises appeared after the enactment of the Framework Act on Cooperatives. The alter-economy social enterprises tend to place emphasis on governance structures (e.g. operation according to democratic principles) as well as on social goals. Therefore, they perceive the formation of a governance structure different from that of traditional corporations to be a central part of their agenda.

Thirdly, they contemplate structural transitions of the South Korean society. Alter-economy social enterprises engage in innovative attempts to address various social issues, including inter-regional inequality (e.g. between urban and rural areas), the collapse of rural societies, food safety, climate change, ecological crises due to the depletion of energy resources, housing crises due to real estate speculation, financial exclusion, and social exclusion due to the collapse of regional communities. The participants in many alter-economy social enterprises believe that social enterprises have a role to play in achieving their visions of alternative lives and societies, including the “ecological turn” of societies, empowering farms and farmers for the self-reliance and self-sufficiency of rural regions and supporting community housing, non-monetary transactions, and the recovery of community relationships.

Finally, alter-economy social enterprises have the shared goal of expanding the social economy through the establishment of mutually beneficial communities, practice of participatory democracy, and the promotion of mutual support and cooperation among actors in the social economy. In this regard, we can expect these enterprises to have the potential to contribute to broadening the horizons of social enterprises and the social economy.

5. CONCLUSION

Ever since the late 1990s, South Korea has led the trend in East Asia in the fields of social economy and social enterprises. The country’s efforts in this regard included the enactment of relevant laws and the active implementation of support policies by the central government. Some local governments were even more proactive in supporting the promotion of the social economy, contributing greatly to the vitalization of social enterprises. Also, existing civic movements and economic organizations drew on their wealth of experiences and capacities to lead the way in implementing social innovation in various fields of the social economy. In the private sector, there has been a rise in the support and participation by corporations willing to pursue CSR policies.

In this study, we have identified four types of social enterprises in South Korea, which we distinguished on the basis of their major social mission. These types—the “work integration”, “social services provision”, “regional regeneration”, and “alter-economy” types—have shaped South Korea’s ecology of the social economy both through focusing on their social roles and through cooperating and competing amongst themselves in various ways. The main findings and implications of this study can be summarized as follows.

First, work integration social enterprises should move beyond the role of simply creating jobs and take the initiative in promoting active labor market policies, such as occupational training, job matching, and enhancing the quality of work. Their own efforts, as well as policy support, will be needed to accomplish this. High-quality employment services working on the micro level must be developed to meet the diverse needs and desires of the vulnerable groups employed by these enterprises, in order to further contribute to work integration. Work integration social enterprises should ultimately strive for higher-quality jobs through developing adequate employment and training services, rather than indiscriminately focusing on job creation.

Secondly, in the case of social services provision social enterprises, it has been emphasized that they should find harmony between their social goals and their objectives as companies, while developing a democratic and transparent governance structure. Meanwhile, in order to better secure the sustainability of these social enterprises, various new areas of business must be explored and more support policies must be implemented. Efforts to share the enterprises' goals of realizing social objectives with the broader public, through encouraging social support and assistance for these enterprises, have also emerged as a key challenge.

Thirdly, many regional regeneration social enterprises are newly-formed and limited in their scope of activity, which makes them relatively vulnerable. It is therefore important that these enterprises secure the organizational resources they lack through actively participating in inter-regional solidarity and information sharing. In order to take root in their respective regions, they must establish links with external markets, based on stable cooperative relationships with local residents, businesses, and local governments. These enterprises have a high potential for contributing to the integration and revitalization of regional societies, and can also act as channels for encouraging the participation of local residents. They can also provide a social economy basis for the activity of talented local youths and skilled older people.

Fourthly, alter-economy social enterprises have played a vital role in expanding the horizons of social enterprises and the social economy in South Korea. They are making new attempts and creating new markets in various new fields. In order to continue developing, these enterprises must undergo a process of systematization for organizational growth while retaining their innovative capacities.

Finally, operating under democratic principles and stakeholder participation are goals that are shared by most social enterprises. Most social enterprises dealt with in the study are (social) co-ops. Some other cases, which operate under the legal form of corporations, such as Human Care Co. and Hamkkeil-Sesang Co., are considering the option of becoming cooperatives. While legally-recognized forms of organization are important, it is worth mentioning that these enterprises are trying to operate according to democratic principles. The actual participation level of members of (social) co-ops and workers of other for-profit social enterprises in strategic decisions is, however, still not very high in most cases, because South Korea lacks a strong and extended cooperative tradition, except in a few regions. But considering the shared value and ongoing efforts of social enterprises, we may expect the accumulation of experiences in democratic management to bear fruit in the future.

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