

Can Social Enterprise Become a Component of 'Sustainability' in South Korea?

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Introduction

The issue about sustainability has continuously drawn attention around the world. Though sustainability used to indicate environmental protection as the central issue in its early stage, it is now expanding its concept by comprising environmental, social, economic issues at local, national and global level. A practical action of South Korea that was initialised in 2007 made a law on 'Sustainable Development (SD)' activate at the national level. However, it still tends to be considered as an environmental side by the government as well as the media and citizens in South Korea. That is to say SD is thought as 'economic development for protecting environment' or merely 'protecting environment' (Han 2012, 21).

The main topic of my research is social enterprise as an actor of social economy that addresses various social issues by using economic methods. As mentioned above if sustainability means that it is connected to environmental issues or a link between environmental and economic issues in South Korea, we can expect that social enterprise have capability to complement the missing part, which is the linkage between social and economic issues. Starting by a simple idea, this paper aims at examining the relation between social enterprise and sustainability with policies and a possibility of these two concepts to be linked in the future. Chapter two and three will demonstrate how sustainability and social enterprise have been accepted and changed their meaning in South Korea. Chapter four will review the current situation of the linkage between the two concepts based on interviews with public officials and practitioners. In the conclusion it will predict the future situation in South Korea.

The concepts of sustainability and social enterprise in this country are still premature and highly changeable because the laws are enacted just six years ago. This paper is trying to show the dynamic process of introduction and changes of these two concepts in it rather than to depict a static snapshot of the current situation in detail. It is expected to apply to other Asian countries for comparative studies, in respect to the linkage between policies on sustainability and social enterprise.

The basic information and discussions about the concepts are obtained from related previous studies and Korean Ministry of Government Legislation (<http://www.law.go.kr/>), National

Committee for Sustainable Development (NCSD), and Korean Ministry of Employment and Labour (MOEL). Especially, I could manage the interviews thanks to the officials of the local government of Seoul city and the private practitioners from the MOEL task force on Social Enterprise Promotion Plans. These interviews helped me collect a lot of information about current policies and plans under discussion both at local and central government.

1. Sustainability and Korean Sustainability

Sustainability on the global level

In 1972 The Club of Rome published a report ‘The Limits to Growth’ that raised attention on pollution, problems of social imbalance and needs of a fundamental consideration on quantitative economic growth itself. In the same year, United Nations Conference on the Human Environment (UNCHE) confirmed in namely ‘Stockholm Declaration’ that environmental issues should be perceived as global issues. Along with discussions on social changes with economic growth the concept of SD appeared with containing environment, society and economy. In 1987, The World Commission on Environment and Development (WCED) under the UN released “Brundtland Report” known as *Our Common Future* which gave a comprehensive definition of SD: “*meeting the needs of the present without compromising the ability of future generations to meet their own needs.*”¹ In 1992 the Rio Summit produced an SD action plan “Agenda 21” with agreement of the UN and governments to make an effort to execute their own action plans. It has continued to share the global attention on SD and provided the guidelines on practical action plans such as development of SD index in 1996. At World Summit on Sustainable Development (WSSD) in 2002 an agreement on establishment of national strategies and action plan in each country turned out.

The central interest in the perspective of discussions on the global level above is that SD was considered as an integration of environmental, social and economic points of view rather than emphasizing on development from one particular side. South Korea started planning its practical policies based on the agreement in 1992 and 2002.

Introduction of sustainability to South Korea

As the first step the South Korean government established the Committee for Sustainable Development in order to make a detail plan for Agenda 21 in 2000 and enacted ‘the Basic Law of Sustainable Development (BLSL)’ in 2007 in order to promote the committee to a presidential rank (Presidential Committee for Sustainable Development, PCSD). In this stage SD plan included the whole issues on environment, society and economy. Especially, in the social part it contained various welfare issues and detailed action plan about unemployment, poverty reduction, improving working conditions of female and foreign labour (PCSD 2007).

However, Lee Myung-Bak’s regime that started in 2008 introduced the concept of ‘Green

Growth.’ In 2010 his government enacted ‘the Basic Law of Low Carbon and Green Growth (Green Growth Law)’ and revised the BLSD law to greatly decrease its functions or even delete some of them (see Table 1). PCSD was also downsized and controlled under the Minister of Environment. The clauses that provided a legal basis to the local governments in order to enact their own ordinances and the local SD committees were eliminated. The city of Seoul, the capital of South Korea, once enacted its own ordinance of SD in 2009, but it had to repeal it in July 2011. Though Seoul still holds a policy on ‘Sustainability Evaluation’ under the division of environmental policies, 22 plans in this policy only contains infrastructure development and set of issues on residential environment and convenience that gives a limit to its integrated approach on social issues.

Table 1. Change of Korean SD laws

Timeline	Law	Contents
2007.8.3	Enacted BLSD	Enacted PCSD Enabled establishment of local ordinances and committees for SD
2009.3.18	Enacted Seoul ordinance of SD	Made 31 mid and long term plan: included articles on social issues (child care, local social welfare etc.)
2010.1.13	Enacted Green Growth Law	Enacted Presidential Committee for Green Growth (PCGG)
2010.4.14	Revised BLSD	Degraded PCSD under the Minister of Environment Deleted articles on local authority
2011.7.28	Repealed Seoul ordinance of SD	

From Korean Ministry of Government Legislation (<http://www.law.go.kr/>) and Seoul Legal Administrative Service (<http://legal.seoul.go.kr/>)

The main purpose of Green Growth Law is to stimulate the economic growth in terms of development of environmental technology and industry. Its promotion plan contains reducing carbon emission, saving energy by making resource-cycling economy, and building a high-tech industry in order to support the former industries. ‘Green Growth’ is namely a concept in order to put the economic growth as the pivotal goal and fuse into environmental technology. Incidentally, according to Lee Myung-Bak’s government, development of technology for nuclear plants is a component of ‘Green Growth’ plan (PCGG 2008).

Hereby we can notice how the concept ‘sustainability’ on policy level has changed last two decades in South Korea. Though it was wider concept that addressed both environmental and social issues by 2007, the definition of sustainability was redefined by setting limits to only the environmental perspective after the introduction of ‘Green Growth’ in 2008. Additionally, the

integration for the development of environment, society and economy has moved to put the emphasis on economic growth.

2. Social Enterprise and Korean Social Enterprise

Concept of Social Enterprise and three approaches

It seems that the word ‘Social Enterprise (SE)’ was on the debates globally from the mid-90’s (Defourny 2001). Though there has been no solid definition for SE, it was generally recognized as ‘Organisations that address social issues with adopting economic methods.’ SE started to be discussed in the USA and the Western Europe on a context of supplementation for limitation of welfare states. Aside from these discussions Professor Muhammad Yunus from Bangladesh, the Nobel Peace Prize laureate, has represented the ‘Social Business’ concept and tried to establish international guidelines. This chapter will introduce the three simple approaches.

First of all, the USA has the broadest SE concept since they admitted the separation between pursuing economic profit and the social mission inside a single SE. Many Non-profit organisations (NPOs) in US have acted in social welfare, while they have faced limitation in grants and funding since 80’s. Some of them started to commercialise themselves to get financial support for their activities. That was the initial stage of SE in the USA because the concept of SE was ‘continuum’ of all the organisations that practiced social missions with profitability, whether or not the commercial activity was related to the original social mission (Kerlin and Gagnaire 2009, 87). Therefore, the existence of ‘Social Entrepreneur,’ a special individual with social mission, has been embossed rather than a character of each SE organisation.

In Western Europe SE is recognised as an organisation that is belonging to ‘Social Economy’ sector. ‘Social Economy’ indicates the organisations in the third sector made up of private, not-for-profit entities. It includes the organisations that have deep historical roots such as co-operative enterprises and mutual societies which might generally be described as ‘associations’ as well as the newer third-sector initiatives which often refers more to specific values and practices than legal forms (Defourny 2001, 4-5). The EMES (EMergence des Entreprises Sociales en Europe) Network, European researchers’ network for SE represents for the following ideal type of SE that provides a compass while defining SEs. The below criteria shows that SE concept in the Europe is narrower than that in US and stresses on organisations connected to local communities, participatory and democratic governance by various stakeholders involving local citizens.

Table 2. Economic and Social Criteria of SE

Economic criteria	A continuous activity producing goods and / or selling services A high degree of autonomy A significant level of economic risk A minimum amount of paid work
Social criteria	An explicit aim to benefit the community An initiative launched by a group of citizens A decision-making power not based on capital ownership A participatory nature, which involves the persons affected by the activity Limited profit distribution

From Defourny (2001, 17-18)

Finally, Professor Yunus suggested the concept of ‘Social Business (SB)’, which falls into two types (Yunus 2010, 1-2). SB Type I is a non-loss, non-dividend business. It has to earn income from the business methods that should match 100% of its cost in order to have no needs for raising external grant or donation. A surplus should not be distributed. It should be used for reinvestment or social benefits. SB Type II is a for-profit business that is owned by vulnerable people such as the poor. Grameen Bank, well known as an initiative of microcredit business, has operated with Type II since mostly female lenders from poor family in Bangladesh owned it.

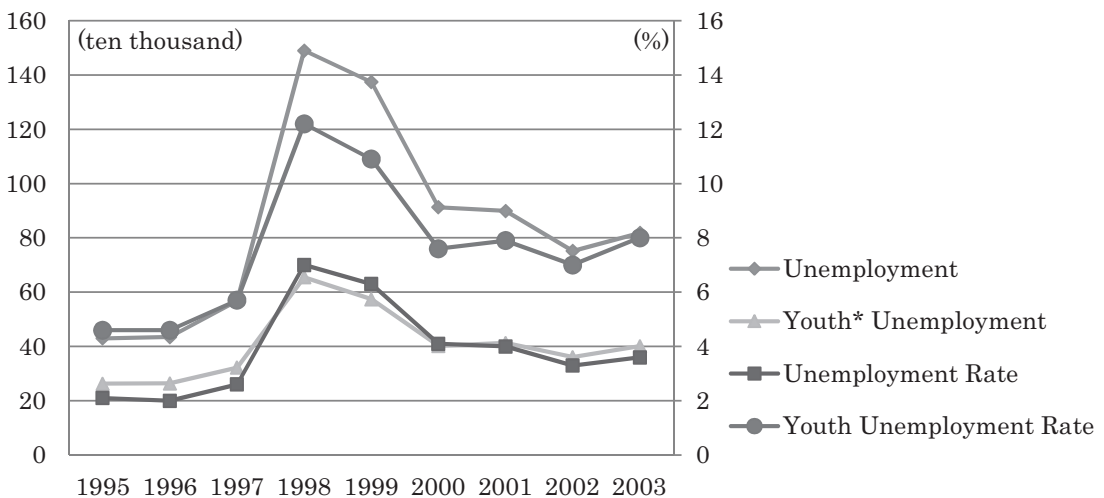
Yunus highlights its difference from SE or social entrepreneur concepts (Yunus 2010, 3-4). For instance, the concepts of SE and SB are unlikely to strictly constrain taking a surplus. In this point, SB looks like NPOs that do not rely on financial aids but operate their own ‘mission-related business’ in order to cover all the cost. By contrast to the social entrepreneur concept in the USA, he denies the general assumption about ‘entrepreneur’ of current economics; a person with a special ability to grab a chance of business and courage to owe risks. He also stresses on a universal potentiality of poor people that all of them have a capacity to be entrepreneurs by themselves.

SE in South Korea

Differently from the USA and the Western Europe explained above, South Korea did not have entities with a long tradition of social welfare entities such as NPOs or social economy organisations. Most of social welfare functions for individuals have been considered to be supplied by kinship families and clans, partly by associations called Hyangwoohoe 향우회, which means fraternities based on domicile of origin. From late 60’s some Protestant ministers started urban poverty relief activities to organise producers’ communities by the poor. However, these attempts scattered around urban areas and could not make successful business

models.

The purpose of introduction of SE to South Korea was to fill a gap in social welfare focusing on the unemployment issue. During the economic crisis in 1998 and 1999 South Korea experienced a rapid increase of the unemployment rate. In 1999 the South Korean government implemented a public financial aid called ‘National Basic Livelihood System (NBLs)’ and public work-fare system. It gave grants to private proprietors in order to create temporary jobs. Since this system only supported for short-term and unstable jobs, the government announced a new ‘Social Job Act’ in 2003. It included 3 years’ financial support and tried to extend the range of the jobs to social service provision. In the late 2006 the government support ended up, while the Social Enterprise Promotion Act started to enact as the next phase.



* “Youth” means age of 15-29.

Figure 1. Unemployment and Unemployment rate in South Korea, 1995 ~ 2003.

From Statistics Korea, “Economic Activity Census.” (http://www.index.go.kr/egams/stts/jsp/potal/stts/PO_STTS_IdxSearch.jsp?idx_cd=1063&stts_cd=106301&clas_div=&idx_sys_cd=&idx_clas_cd=1)

South Korean SE began as an unemployment policy under the direct control of the MOEL. In South Korea the organisations which want to become SE must apply to MOEL and obtain certification. They need to clear seven conditions such as employing the vulnerable, adopting business methods, redistributing more than 2/3 of surplus to the society, and clarifying the SE’s social purpose and statute. Though South Korean SE currently has no specific legal personality, it admits various kinds of organisations to apply, for instance, a company under the Commercial Act, NPO, and a consumer co-operative. There are four types of SE; employment (work-integration) type, social service provision type, local community benefits type, and the other. No matter which type is chosen at least 20% of its employees must be the vulnerable (the employment type must employ at least 30%).² Once certificated as an SE, the

government provides business funds and labour costs up to the legal minimum wage for 3 years. 'Preliminary SE' and 'local SE' were also added as a preparation phase with financial support and consulting services for 2 years each.

As explained above the Korean SEs are functioning as key actors for employment policies. For example, normal for-profit enterprises that are not involved in contribution for its society can receive SE certification, if they accept several standards of being SE such as employing vulnerable classes and partial returns of their surplus to the society. In a case of the social service provision type SE can contain institutions that are dealing with various environmental and social issues such as childcare, nursing, housework services, protecting local culture, and cleaning services.

3. SE and sustainability in South Korea

South Korea has two kinds of SE by and large. One is under the central government (MOEL) and the local governments. I met officials from the Seoul local government and private lawyers from MOEL task force on Social Enterprise Promotion Plans for the interviews that examined the current situation and the future plan of Korean SE policy and a possibility for a link with sustainability policies. I had open questions and performed the interviews in Seoul in November 2012.

Current SE policy and direction of future plan

First of all, Seoul city put stress on issues about practical operation of SE policy. As explained above, there are three paths to obtain support from both central and local government: preliminary SE (2 years), local SE (2 years) and SE (3 years).³ Since support of one path is over it is possible to move to the next, technically it is able to operate an SE relying on continuous grants for 7 years. The main purpose of the policy has been employment of the vulnerable that made it relatively easier to certificate an SE by employing merely 20% of the labour. This has been a weak point from the initial stage of the policy that led some people to occur moral hazard. Additionally, since the government initially set a quantitative goal such as promoting 1,000 SEs by 2012 (MOEL 2008), poor business plans or even advocacy-type NGOs denying entrepreneurship could be certificated. Recognising these problems, Seoul city is currently correcting the policy to sharpen the selection process and extend the domain of SE itself. We will see the latter in respect to the main theme of this paper.

Seoul city is promoting determination and domain extension of 'Social Economy.' In January 2012 it set up a new division of Social Economy, which used to be division of SE before. This division started managing wider range of entities such as 'Maeul-giup 마을기업 (Community Business)' that had used to be managed by the Ministry of Public Administration and Security (MOPAS). In case of local SE policy, it is permitted for local governments to

attempt original operating methods. Hence Seoul city set ‘Five Fields of Innovation’ and initiated recruitment of ‘Innovation type SE’ using its own criteria and process of selection from September 2012 (see Table 3). The city considers these five fields as ecology of social economy since they include both social and environmental issues. And it is worth noticing that the five fields encompass ‘safe and **sustainable city**’ as a field of urban planning. It is hard to predict if this attempt will success or not, but the ‘Innovation type SE’ idea also served as a good reference to the central government’s ‘SE Promotion Plans’ which will be explained below.

MOEL establishes ‘SE Promotion Plans’ every 5 years. The first period was 2008 to 2012 and a tentative plan for the second period (2013~2017) is under discussion. Though it was impossible to make a copy of the plan, the practitioners offered me for reading and explanation.

The central government was sharing the understanding that current SE policy inclines too heavily toward employment and direct provision of grants, but providing jobs to the vulnerable was still considered as the most important function of SE. Same as Seoul city it counted promotion of social economy itself and subdivision of SE, and improving public esteem on SE.

In this point SE is representative actor on social issues or local community, but they still have nearly 4,000 names of similar entities from different policies such as Maeul-giup mentioned above, Farming and Fishing Community Company, Jahwal-gongdongche 자활 공동체 (Self-Sufficiency Community by the vulnerable) and so on. It is sometimes pointed out that these policies do not supplement each other but perceived as quantitative competition among government departments (Yang 2012, 107). The promotion plan aims at unification of these names into a single category by setting up more various types of SE and helping local governments integrate them.

Another discussion aside of various SE types is about ecology forming of social economy. Not only SE but intermediate organisations like providers of consulting and counseling services for SE and social impact funds are also considered important elements. It is currently difficult for SEs in South Korea to found by raising investment from usual banks. Hence private entities that function as social funds are being required. As an attempt, a consulting company for SE named Merry Year Social Company (MYSC), founded in the early 2012, is promoting investment for SE as an initial attempt. This company currently focuses on financial feasibility of both SEs and private SMEs and setting following missions: developing comprehensive ‘social innovative’ business models, promoting the linkage among key actors in the three sectors (Private sector, Public sector, Social sector), converting mezzanine level (capitalised at 5 billion won or more), pre-IPO companies into ‘Social Innovative Enterprises.’

Table 3. The Five Strategic Fields of Addressing Social Issues in Seoul City

Five Fields	Subfields (examples)
1. Welfare city	Care services (the disabled, the elder etc.) Addressing issues of the vulnerable (the disabled, refugees from North Korea, runaway teenagers etc.) Citizens' health (safety-related accidents of the elder, child obesity etc.) Unemployment issues of young people
2. Economic city	Promoting social economy (fostering ecology of social economy such as designing specific supply chain for social economy organisations) Economy of sharing Promoting traditional markets Promoting small self-employed businesses Creative and smart economy (design, fashion, IT etc.) Job creation for young people
3. Cultural city	Culture and sightseeing (protecting local heritage, developing sightseeing programs with culture experiences) Base up of life exercises Design of public and living space Education (a safety net in the schools, promoting teenagers' path-making competency, lifelong education etc.)
4. Safe and Sustainable city	City revival City environment (resource recycling, saving energy, improving atmosphere etc.) Biological environment (urban farming, local foods, afforestation etc.) Traffic issues (services for the disabled and the elder, activating bicycles usage etc.) Promotion of life circumstance and security etc.
5. A city owned by citizens	Activating local community Delivering social services via social co-operatives Residential community forming etc.

From Social Economy division of Seoul city (<http://se.seoul.go.kr/supply/condition.action>), viewed on 20 November, 2012.

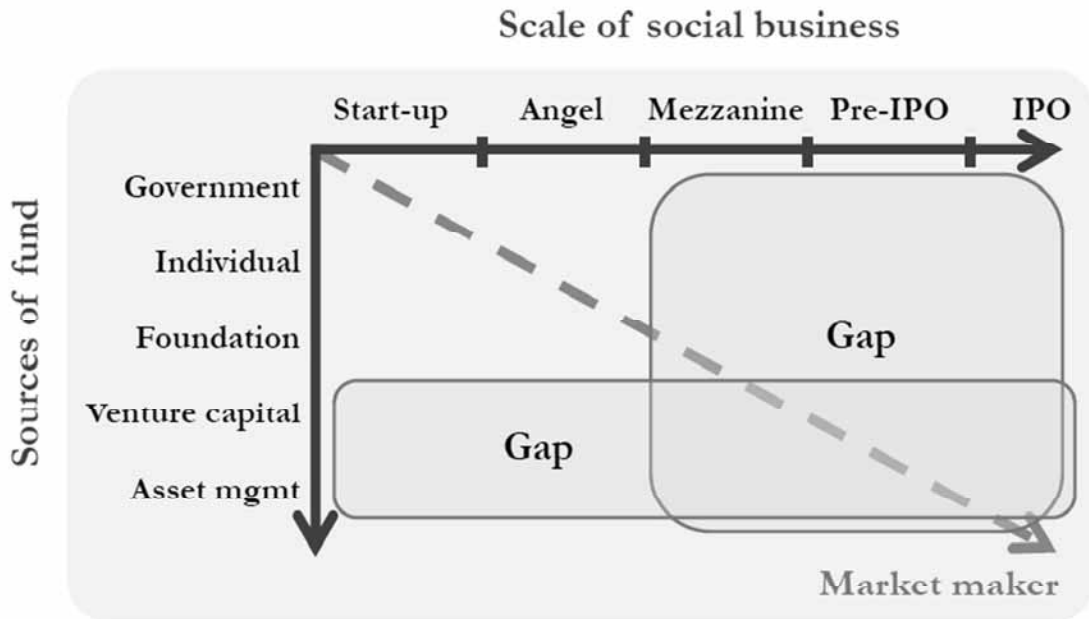


Figure 2. MYSC's target groups

From the website of MYSC (http://mysc.co.kr/?page_id=28 viewed on 20 May, 2013)

Possibility of the linkage between SE and sustainability policies in South Korea

In fact, possibility of the linkage between current SE and sustainability policies seems not to be high. Awareness about sustainability policy was low among both practitioners and government officials and there was no discussion about the linkage. Instead, they used the word mainly on the context of 'sustainability of SE policy' itself. Still it can be predicted that SE will vary the environmental issues which it addresses as its concept itself is broadening from established employment or determined social services.

However, it must be noted that the environmental actions implemented by social economy is not same as those by current sustainability or green growth concepts. Considering sustainability in South Korea changed its main goal into economic growth, the sector applicable is for-profit sector rather than social economy including SE. To determine exactly which kind of activities fits the sense of each concept, horizontal communication between MOEL and the Ministry of Environment is critical.

Conclusion

While sustainability concept in South Korea narrowed and modified its meaning into environmental protection and economic growth, SE became more capable to address all three sides of issues; environment, society and economy. It is an odd change that SE is not necessarily a missing part of sustainability in this country; rather the ecology of social economy represented by SE itself extended to have capability to contain sustainability in it. However the linkage between these two concepts on policy level is not being discussed. Additionally, it should be considered that the sustainability policy hold detailed information about environmental issues and feasible fields. Follow-up studies on possibility of the linkage between those issues and current SE policy are expected.

In this paper I gathered information mainly from SE practitioners since it was easier to access from my research interest, but I could not manage interviews with practitioners or officials on sustainability and green growth policies. In order to trace changes of sustainability policy in South Korea, it is important to build up network with related personnel. As mentioned in Introduction, both SE and sustainability have short history in South Korea and thus highly possible to change in the future. It is required to check situations of two concepts in other countries on a comparative view and try to depict dynamic process of two concepts' change.

Acknowledgement

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Notes

- 1 United Nations. 1987. Report of the World Commission on Environment and Development. In *General Assembly Resolution 42/187* (1987.12.11).
- 2 Both the standards will be raised from 2014: the former to 30%, the latter to 50%.
- 3 As 2009 Korean small and medium sized enterprises' (SMEs) average life span is 12.9 years (The Korea Chamber of Commerce & Industry 2011). 7 years of continuous fund raising is long for SMEs, and moreover, these grants for Korean SEs is one-way support without duty of redemption and is mainly used up as labour cost.

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