INSIGHT

Strengthening the Autonomy of the Social Economy in the Republic of Korea

The social economy thrives on strong cooperation among members of a society. Photo credit: KIF.

Policies should promote the growth and sustainability of social enterprises without making them dependent on state support.

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Introduction

Social economy encompasses all economic activities that create social value through the production or sales of goods and services based on cooperation and solidarity among members of a society. Because of its economic benefits and its capacity to provide employment and social protection, many countries are starting to foster social enterprises.

The Government of the Republic of Korea (ROK) has implemented new policies and initiatives that promote social enterprises, enable communities to nurture the social economy, support diversification of business areas, and fortify related legal and regulatory infrastructure.
These policies are designed to develop and boost social enterprises, village companies, cooperatives, and self-sufficient enterprises. However, the government must make sure that these interventions do not hurt the autonomy and sustainability of the social economy.

Analysis

The International Labour Organization defines social economy as “all economic activities involving organizations like associations, cooperatives, foundations, mutual benefit societies and social enterprises that are guided by principles, values, and practices concerned with participation, democracy, solidarity and commitment to the environment, and that prioritize the pursuit of a social aim.”

A social economy decides its activities according to a set of related principles and maintains autonomous and democratic governance through voluntary participation and equal voting rights of members. It prioritizes the sharing of profits among members, creating jobs for the disadvantaged, strengthening local communities, and other such social objectives. Likewise, it serves as an option for people alienated from both state and market and who form their own communities to achieve their shared social visions.

Many countries recognize the importance of social enterprises in promoting inclusive growth as they have the capacity to provide social services and employment opportunities and support local economies. In the ROK, the number of organizations in the social economy rose more than 67% to 24,983 in 2020 from 14,916 in 2016.

**Figure 1: Major Types of Social Economy Organizations**
The Korean government implemented various policies and measures to create an enabling environment for the growth of the social economy.

Policies announced in March 2021 to support the growth of social entities

- Implementation of intensive growth support program (Ministry of SMEs and Startups)
- Provision of special guarantees and expansion of social investment fund to support business of promising entities (Financial Services Commission)
- Support for noncontact sales channels for social entities (Ministry of Employment and Labor)
- Initiatives to promote innovative cooperatives (Ministry of Economy and Finance)
- Initiatives to promote consumer cooperatives and revise the Consumer Cooperatives Act (Fair Trade Commission)
- Initiatives to promote social ventures by revising the Venture Business Act (Ministry of SMEs and Startups)
- Replacement of social enterprise certification with registration (Ministry of Employment and Labor)

Efforts to strengthen community capacity to establish the social economy

- Enacting the Village Enterprise Act (Ministry of Interior and Safety)
- Organizing private–public committees for the social economy at a local government level and financing support for their projects (also of the Ministry of Interior and Safety)
- Awareness-raising on social economy programs for community residents and creating job-seeking and business startup programs at local colleges that focus on the social economy (Ministry of...
Employment and Labor)

- Organizing regional social economy clusters (Ministry of Employment and Labor and Ministry of Trade, Industry and Energy)
- Promoting business models that reflect the needs of locals such as urban renewal (Ministry of Land, Infrastructure and Transport)

Initiatives to support the diversification of business areas

- Inclusion of social economy organizations in community care initiatives and establishment of social medical cooperatives for healthcare workers (Ministry of Health and Welfare)
- Inclusion of these organizations starting at the early stage of social housing projects (Ministry of Land, Infrastructure and Transport)
- Support for job seeking and business startups for women who want to resume their career (Ministry of Gender Equality and Family)
- Establishment of cooperatives that strengthen rights of housewives and female freelancers (Ministry of Gender Equality and Family)
- Support for development of business models, business consulting, sales channels, and business licenses relating to carbon zero society and resources recycling (Ministry of Environment)
- Business consulting for cooperatives of experts in the areas of science and technology (Ministry of Science and ICT)

Measures to strengthen the legal and regulatory infrastructure

- Enactment of the Social Economy Framework Act and the Social Value Framework Act (Ministry of Economy and Finance)
- Legislation to enact the Village Enterprise Act (Ministry of Interior and Safety)
- Revision of the Microfinance Support Act and the Credit Cooperatives Act (Financial Services Commission)
- Establishment of indicators to measure outcomes of the social economy (Financial Services Commission) and collection of related statistical data (Ministry of Economy and Finance & Statistics Korea)
- Awareness-raising on the social economy through the Buy Social Campaign (Ministry of Employment and Labor)

Implication

There are growing concerns that these policies and initiatives that reinforce state support across the board could make the Korean social economy ecosystem more dependent on the government. This is different from the social economy in Europe, which is founded on the principle of autonomy and independence.
As the number of social enterprises in the ROK continues to grow, the Korean government must renavigate its strategies and focus on policies that strengthen the autonomy and sustainability of the social economy to unlock its potential.

The government can explore more policies that would further encourage social entities to become more innovative in coming up with solutions to community problems; develop quality human resources ready to lead cooperatives and village enterprises; improve the quality and standard of products and services offered; promote the social economy to communities; standardize frameworks; and promote more partnerships with the state, civil society, and other stakeholders.

Policies that maximize social welfare via more efficient allocation of limited resources is also critical since the social economy cannot solve all kinds of social problems. The government must identify urgent social issues and decide which ones could be effectively tackled via the social economy. This needs to be accompanied by empirical analysis on the impact of government support on the whole economy, so that relevant measures can be properly designed and implemented.

Resources


Korea Institute of Finance website.


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Korea Institute of Finance (KIF)

The Korea Institute of Finance provides expert analysis for the development of the Republic of Korea's financial sector and financial policy.