



► Strengthening Social and Solidarity Economy Policy in Asia



November 2021

Mapping the Social and Solidarity Economy Landscape in Asia Spotlight on Republic of Korea

The Republic of Korea has a vibrant social and solidarity economy (SSE) that is supported by an enabling institutional environment. The state and civil society have played an important role in the formation and expansion of different types of SSE organizations and enterprises (SSEOs). More recently, private companies and for-profit orientation are influencing the SSE field. New hybrid models are emerging as the conventional boundaries between the public, private and non-profit sectors become increasingly blurred. Drawing on ongoing ILO research on SSE in Asia (see Box 1),

this Brief provides an overview of the SSE landscape in the Republic of Korea, identifies the main types of organizations, and highlights policy challenges and pathways to realize the SSE’s transformational potential.

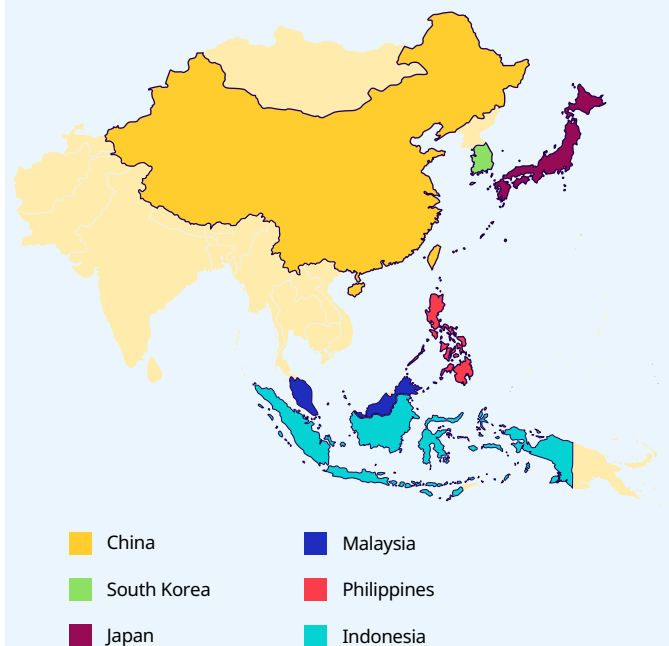
A new era for SSE

While definitions vary, the term ‘social economy’ is generally used in the Republic of Korea to refer to organizations and enterprises that combine economic,

Box 1: ILO Project on Strengthening SSE Policy in Asia

This brief is based on research that was carried out under the first phase of the ILO project “[Strengthening Social and Solidarity Economy \(SSE\) Policy in Asia](#)” that took place during 2019-2021. The research sought to better understand the current status of SSE in six countries in Asia (Republic of Korea, Japan, China, Malaysia, Indonesia and the Philippines) in terms of the organizational landscape, adopt a framework suitable for cross-country comparison, identify policy challenges and suggest preliminary pathways for strengthening SSE. Through a second phase of the project, ILO will conduct additional country studies in Thailand, Vietnam, Mongolia, Kyrgyzstan, Laos and Cambodia. This brief presents key findings from the research paper “Mapping the Organizational Landscape of the Social and Solidarity Economy in the Republic of Korea” by Euiyoung Kim, Gihong Im and Yewon Kang.

► Asia



social and democratic features. The legislative draft of the Framework Act on Social Economy (FASE),¹ defines the social economy as comprising “all economic activities undertaken by social economy organizations on the basis of solidarity and cooperation among members; independent, autonomous, and democratic governance; and with the purposes of reducing polarization, promoting local economies, creating decent jobs, providing social services, and promoting social integration and the common good.” It also includes “business organization that pursues social values and engages in the purchase, production, distribution, and consumption of goods and services necessary to that end.”² While placing more emphasis on the role of business, this definition resembles that of SSE adopted by the ILO and the United Nations Task Force on SSE (UNTFSSSE) (see Box 2).

Box 2: Defining SSE

While definitions vary (see Brief 1), core features of SSE have been described by the United Nations Task Force on SSE (UNTFSSSE) as follows: “SSE encompasses organizations and enterprises that have explicit economic and social (and often environmental) objectives; involve varying degrees and forms of cooperative, associative and solidarity relations between workers, producers and consumers; and practice workplace democracy and self-management. SSE includes traditional forms of cooperatives and mutual associations, as well as women’s self-help groups, community forestry groups, social provisioning organizations or ‘proximity services’, fair trade organizations, associations of informal sector workers, social enterprises, and community currency and alternative finance schemes.”

Source: <https://unsse.org/sse-and-the-sdgs/>

The values and principles related to SSE has a long tradition in the Republic of Korea. Traditional community encouraged cooperation and a sense of unity through autonomous rules and customs called *doorae* (collective farming)³, *gyae* (social bond credit unions)⁴ and *hyang-yak* (agreement)⁵ Local village autonomy systems inspired by Confucian ideals adopted informal codes of conduct that emphasized communal solidarity, mutual aid and reciprocal social relationships. Key aspects of contemporary SSE related to community development and social capital have evolved from values and practices of the past.

Farmers established the first credit union in the early 20th century. The devastating economic and social impact of war in the 1940s and early 1950s saw the government turn to agricultural cooperatives as a means of overcoming food shortages and revitalizing agriculture and rural communities.⁶ With considerable state support and regulation, agricultural, fisheries, forestry and financial cooperatives expanded under the modernization drive in the 1960s and 1970s. Many cooperatives, however, resembled semi-public entities rather than voluntary associations. In addition to the state-led cooperative movement, voluntary credit unions also expanded to address unmet needs, notably in regions left behind in economic development, as did consumer cooperatives the 1980s (see Box 3).⁷

In recent decades, SSE has expanded and diversified, notably with the growth of community credit cooperatives, consumer cooperatives, village-based and self-sufficiency enterprises, as well as social enterprises formed by public sector organizations, private companies and non-governmental organizations.⁸ As indicated in Figure 1, there was a total of 22,036 SSEOs (see Box 4). In 2018 they hired 110,829 workers and had received various forms of policy finance amounting to KRW 193.7 billion (approximately USD 163 million).⁹

1 The bill for the Framework Act on Social Economy (FASE) is a legislative draft pending in the National Assembly. It aspires to provide a comprehensive legislative basis for the entire social economy across the Republic of Korea. Bill Information, National Assembly, https://www.socioeco.org/bdf_fiche-legislation-265_en.html.

2 The bill for the Framework Act on Social Economy (FASE) cited in Kil-Soon Yoon and Sang-Youn Lee, [Policy Systems and Measures for the Social Economy in Seoul](#) (UNRISD, 2020).

3 *Doorae* is a more than 500-year-old tradition of cooperation to do the difficult work that could not be done by one household.

4 *Gyae* is a small savings scheme especially popular among housewives.

5 *Hyang-yak* is an autonomous customary norm promoting cooperation and good deeds among villagers, based on its Confucian tradition.

6 Soojin Kim, [The Cooperative Movement in Korea](#), 2013.

7 Hyuck-Jin Choi, Jeong-Yeop Kim and Jae-min Jung, *Public policies for the social and solidarity economy: Towards a favourable environment: The case of the Republic of Korea* (ILO, 2017); Bokyeong Lee et al. “Collective Strategy of Social Economy in Wonju, South Korea”. *The Korean Journal of Cooperative Studies* 32(3):1-26, 2014.

8 Hyuck-Jin Choi et al., *Public policies for the social and solidarity economy: The case of the Republic of Korea*.

9 KoSEA, [Korea Social Economy](#), 2019.

Box 3: Consumer cooperatives

The consumer cooperative movement gathered momentum in the mid-1980s. Today's consumer cooperatives can be said to have derived from the Right Life Cooperative (*Bareun Saeng-hyup*), originating in the city of Anyang in 1985 and Hansalim in 1986. Associations with national networks such as Hansalim, Dure Cooperatives, Women Link Cooperatives and iCOOP emerged when consumer cooperatives began to organize nationally in the 1990s. In 1999, the Consumers Cooperative Act was enacted. Major consumer cooperative organizations are involved not only in actions promoting healthy, environmentally responsible lifestyles, but also in addressing societal issues such as rural and community development, education and women's well-being. The term *Saeng-hyup*, meaning 'life cooperative', is used instead of 'consumer cooperative,' as the scope of activity extends beyond consumption to cooperation in multiple aspects of life.

Box 4: Key SSEOs in the Republic of Korea

The following are the main types of SSEOs:¹

Cooperatives: an enterprise that is jointly owned by its members and democratically managed to provide employment and meet other social and economic needs.

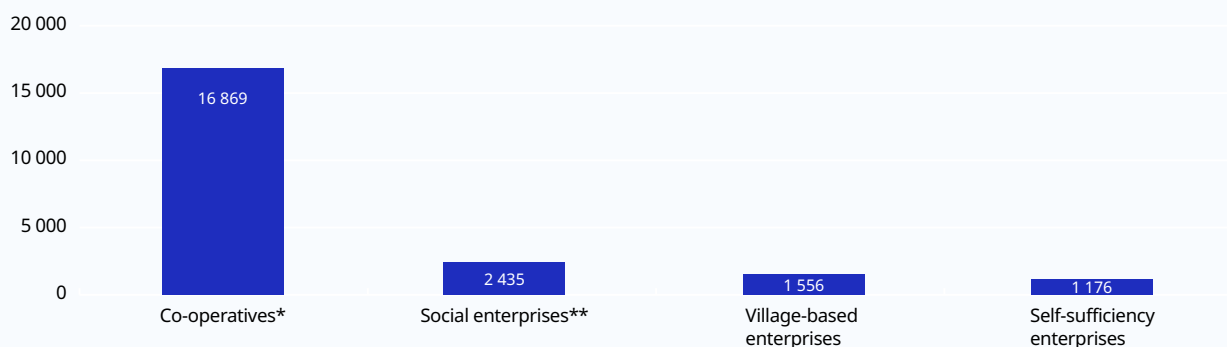
Social enterprises: business entities that prioritize a social objective rather than profit maximization for shareholders or owners, and that reinvest profits in the business or the local community.

Village-based enterprises: entities established and run by local residents, who mobilize local resources to sustain for-profit projects to solve community problems and promote community interests through job creation and income generation.

Self-sufficiency enterprises: producer cooperatives or other such forms of enterprises run by one or more persons in need using the skills they have acquired by participating in self-help and public works projects at local self-sufficiency centers.

¹ KoSEA, Korea Social Economy.

► **Figure 1. Status of the Four Major Types of SSEOs (2019)**



Note: Source: KoSEA

* Includes General Cooperatives and Social Cooperatives but not traditional cooperatives governed by specific statutes in sectors, for example, such as agriculture, forestry and fisheries.

** Certified social enterprises

Enabling laws and policies

Numerous legal instruments, policies and other institutional arrangements support and regulate SSE (see Box 5). Particularly important are:

- I. **the 2007 Social Enterprise Promotion (SEP) Act and SEP Program**, which consolidates the definition of social enterprises and provides legal status to social enterprises to create new job opportunities and expand under-delivered social services;
- II. the establishment of the [Korea Social Enterprise Promotion Agency \(KoSEA\)](#) in 2010 to foster and promote social enterprises and cooperatives. It provides a range of services, such as training, marketing support, and others necessary to strengthen their management capacity. It also supports the development and operation of social economy networks;
- III. The **2012 Framework Act on Cooperatives (FAC)**, which eased the creation of cooperatives by allowing

five or more members to form a cooperative in any industry other than finance and insurance. Workers' cooperatives, multi-stakeholder cooperatives and social cooperatives subsequently emerged.¹⁰

The overview of legislative and policy initiatives indicates several key points concerning the evolution of state support for SSE.

- Government efforts to promote SSEOs are closely tied to social and labour market policy objectives.
- Efforts to improve co-ordination among the government agencies with responsibility for different aspects of SSE and across different levels of government¹¹ are ongoing. They include the creation of the Division of Social Economy Policy within the Ministry of Economy and Finance (MOEF), Master Plans and Framework Acts, as well as measures to promote local government support and collaboration.
- Measures to support SSE have evolved from direct forms of targeted support for specific types of SSEOs

Box 5: Timeline of recent legislative and policy measures

2000	National Basic Livelihood Security (NBLS) Act provided subsidies and other support to self-sufficiency enterprises, run partly by NBLS Program beneficiaries
2003	Social Employment Program strengthened the role of SSE organizations in job creation
2004	Special Act on Improving the Quality of Life in Rural Areas and Rural Development Promotion promoted the role of rural community enterprises
2005	Infant Care Act recognized the role of child care cooperatives
2007	Social Enterprise Promotion Act was passed
2010	KoSEA was created under the Ministry of Employment and Labour
2012	The Framework Act on Cooperatives promoted autonomous and independent cooperatives and recognized new types of 'social cooperatives'
2013	Council of Local Governments for Social Solidarity Economy promoted collaboration, capacity building and good practice learning among local governments
2016	The Korea Inclusive Finance Agency was established
2017	Office of the Secretary for the Social Economy was created within the Office of the President
2018	The Master Plan for Human Resource Development for the Social Economy and the Social Finance Promotion Plan were adopted
2020	The Bill for the Framework Act on Social Economy (FASE) was proposed with the aim of establishing a legal foundation for social economy

¹⁰ Social cooperatives are non-profits engaged in local level service provision and job creation. See: Kil-Soon Yoon and Sang-Youn Lee, [Policy Systems and Measures for the Social Economy in Seoul](#) (UNRISD, 2020).

¹¹ Different types of SSEOs are supported and regulated by different ministries.

to measures aimed at strengthening the wider institutional ecosystem for SSE to thrive.¹²

- Local governments are developing legislative and policy initiatives at different administrative levels. Seoul metropolitan government is a case in point.¹³ Numerous cities, provinces and districts have adopted innovative measures. The Council of Local Governments for Social Solidarity Economy has 48 member governments.¹⁴

Coupled with enabling laws and policies, a multitude of actors has supported the expansion of SSE, including the private sector and civil society organizations. Intermediary organizations and networks also support and advocate for the SSEOs' interests.¹⁵

Factors driving the expansion of SSE

Democratization led to the expansion of civil society from the late 1980s and saw the emergence of advocacy and participation in policymaking, as well as civil society initiatives in areas related to emergency relief, welfare services and job creation.¹⁶ Various social movements also promoted the SSE. Several trade unions established consumer cooperatives and credit unions within the labour movement. In the 1990s, leaders of the slum movement adopted the concept of social economy. They developed a campaign to build worker's co-production community movements, particularly in urban redevelopment areas and initiated self-sufficiency pilot projects. More recently, cooperatives and other SSEOs are playing an active role in the growing social housing movement, notably in Seoul.¹⁷

Changes in the nature of the state and public policy also impacted SSE. Under the transition towards a 'developmental welfare state'¹⁸ social policy became more inclusive and responsive to advocacy coalitions, notably at the local level where decentralization was taking place. Decentralization opened up avenues for civil society organizations to influence policy design and implementation. Social policy broadened beyond traditional areas such as health insurance and pensions to child and elderly care, social assistance and job creation for the unemployed and vulnerable.

The concept of 'productive welfare'¹⁹ introduced by the government in the late 1990s and the National Basic Livelihood Security Act, enacted in 2000, symbolized this change in approach.

The Asian Financial Crisis in 1997 brought policy change and social innovation. It challenged the notion of the "East Asian miracle" centred on an industrialization model that guaranteed employment and rapidly rising standards of living for broad segments of the population. As unemployment and social welfare demands increased, SSE was seen as a partial solution to deal with recession or jobless growth, budgetary constraints, as well as increasing social polarization. Self-help groups and new social movements, for example of the unemployed, expanded after the Asian Financial Crisis. Greater recognition was also given to the SSE activities of traditional third sector organizations such as the Korea National Council on Social Welfare, social welfare foundations, non-profit organizations, medical corporations, mutual aid associations and the National Agricultural Cooperative Federation (*NongHyup*). The private sector, too, bought into aspects of the SSE agenda as ideas and practices related to Corporate Social Responsibility (CSR) and public-private partnership gained momentum.

Social and political demands for welfare services and decent work have escalated in the context of an ageing population and the rise of irregular and precarious employment in the informal economy. Various types of SSEOs emerged to address these needs, including for example the [Korea Health Welfare Social Cooperative Federation](#) (HWSOCOOP). Increasingly, attention is turning to SSE both as a means for assisting and empowering the underprivileged and for fostering resilience in contexts of crisis.²⁰ More recently, the COVID-19 pandemic and related forms of vulnerability have further reinforced government and civil society support for SSE.²¹

The SSE Landscape

Applying the three criteria – economic, social and democratic – adopted by the ILO project to define

12 KoSEA. Korea Social Economy; Ilcheong Yi et al., *Social and Solidarity Economy for the Sustainable Development Goals: Spotlight on the Social Economy in Seoul* (UNRISD, 2018).

13 See Kil-Soon Yoon and Sang-Youn Lee, *Policy Systems and Measures for the Social Economy in Seoul*.

14 The Council is currently chaired by Mayor of Seodaemun district, one of the 25 districts of Seoul.

15 Eun Sun Lee, "Development of Social Economy in South Korea: The Role of Civil Society," in *Social Economy in Asia*, ed. Euiyoung Kim and Hiroki Miura (Lexington Books, 2021).

16 Eun Sun Lee, "Development of Social Economy in South Korea: The Role of Civil Society."

17 Chung, S.H. et al., "Past, Present, and Future of Social Housing in Seoul: Where Is Social Housing Heading to?" *Sustainability* 12. No. 19, 2020.

18 Huck-ju Kwon, [Transforming the Developmental Welfare State in East Asia](#) (UNRISD, 2005).

19 The administration of Kim Dae-Jung put forward the concept of 'Productive Welfare' as a macro-economic framework in which social welfare and poverty were to be key considerations. See Stein Kuhnle, *Productive welfare in Korea: Moving towards a European welfare state type?* (UNRISD, 2002).

20 For example, 61 per cent of all employment by social enterprises and 42.3 per cent of employment by cooperatives involved the underprivileged and socially vulnerable classes as of 2018. See RoK Government Inter-agency data. *Measures to Support Job Creation by Social Economy Enterprises*, 2020.

21 See [Policy response to COVID-19 for SSE enterprises in the Republic of Korea](#).

organizations and enterprises that form part of the SSE landscape, the research surveyed 35 types of organizations. Figure 2 identifies eight organizational forms that constitute fully-fledged SSEOs, entities which, by law or regulatory guidelines, are expected to undertake productive and sustainable business activities, be guided by a social mission, uphold certain principles of democratic governance or were established voluntarily (see Brief 1). They include certified social enterprises, pre-certified social enterprises, general cooperatives, social cooperatives, community business organizations, cooperatives based on specific laws governing each entity,²² rural community enterprises and self-sufficiency enterprises.

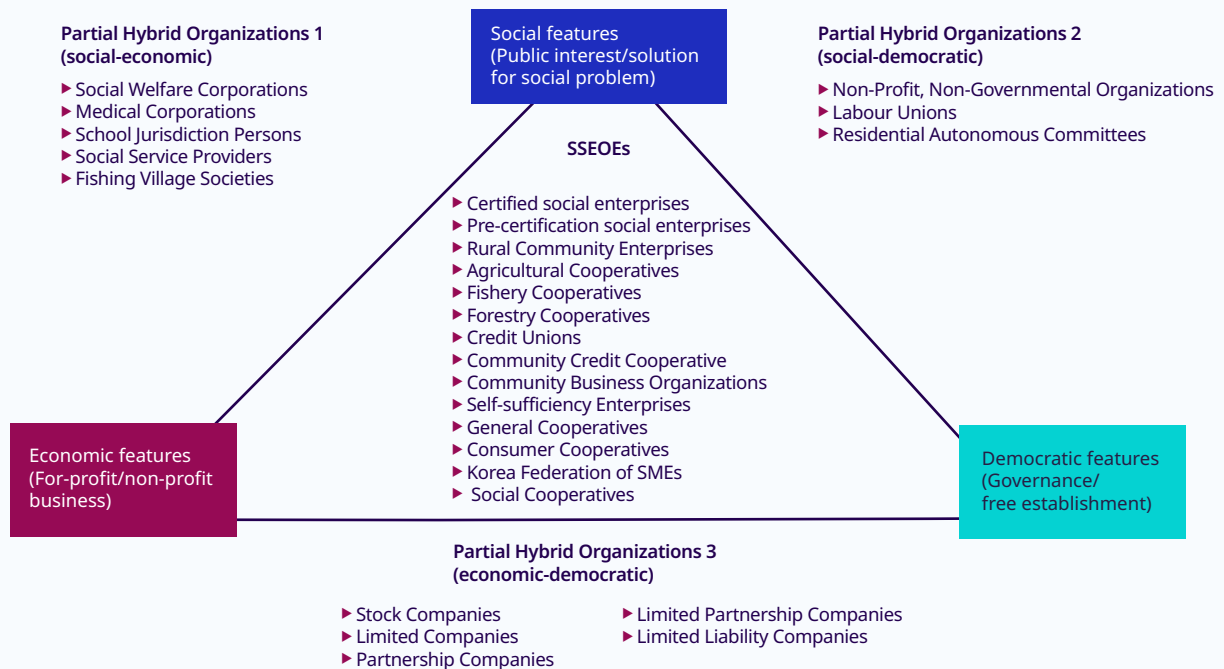
Following the classification framework and terminology adopted for the ILO project, 13 other types of organizations are designated as ‘partial hybrid organizations’ (PHOs), entities that adopt two of the three (economic, social and democratic) criteria that characterize SSEOs. They include non-profit non

governmental organizations, labour unions, residential autonomous committees, social welfare corporations, medical corporations, school jurisdiction persons, social service providers and fishing village societies. Although public enterprises and local credit guarantee foundations also show a connection to certain SSE values or practices, their contribution to the promotion of SSE is generally limited. These are classified ‘other organizations’.

Key findings to emerge from this mapping include the following:

- Most organizations within the SSE ecosystem adopt income-generating activities that have a for-profit orientation: only six of the 35 organizations focused on non-profit activities. However, certain organizations that belong to the for-profit category have a ‘less for profit’ approach and/or aim to distribute surplus revenue relatively equitably.²³

► Figure 2. Mapping of SSEOs in Republic of Korea



²² These include agricultural cooperatives (Nonghyup), fishery cooperatives (Suhyup), Korea Federation of SMEs (Junggyihup), Forestry Cooperatives (Sanlimjohap), Credit Unions (Shinhyup), Consumer Cooperatives (Saenghyup), and Community Credit Cooperatives (Saemaetul).

²³ See UNTFSSSE, [Social and Solidarity Economy and the Challenge of Sustainable Development](#), 2014.

- Outside of cooperatives, values and practices related to democratic or participatory governance appear to be limited. Most for-profit organizations adopt more hierarchical forms of governance.
- The social features of SSE²⁴ are a relatively important criterion in comparison to economic and democratic features. An increasing number of organizations from diverse sectors are addressing specific or general social problems. They pursue public interest or address social problems as a normative goal and recognize the importance of generating social value.
- The large presence of PHOs indicates extensive interaction and convergence between public, private and non-governmental organizations.

Companies are channeling more resources towards community projects and the promotion of social entrepreneurship and enterprise (see Box 6).

- Such initiatives often involve partnerships with the central government, local governments, social welfare foundations and other non-profit organizations.²⁵ Furthermore, several public institutions have recently gone beyond providing support for purchasing supplies and founded social enterprises themselves (see Box 7).

Box 6: Corporate interaction with SSE

While philanthropy and practices related to corporate social responsibility are commonplace, several large companies are strengthening their social profile and interactions with SSE. One of the nation's leading online retailers, Lotte Home Shopping, for example, is contributing to the expansion of the social economy market by selling social enterprise products and broadcasting promotional videos of social enterprises. Some companies have established social enterprises themselves. Kyobo Life Insurance created the [Dasomi Foundation](#) to provide free or affordable care and nursing services for vulnerable groups, as well as employment opportunities for women from female-headed households. SK Group, one of the nation's top conglomerates, has established eight social enterprises, including SK Broadband (Internet Equipment Company) and SK C&C (IT outsourcing service). It also funds education and training programmes for social entrepreneurs and has adopted an innovative method of 'double bottom line' accounting, which was first applied by the semiconductor subsidiary, [SK Hynix](#). Under this method the production of low-power semiconductors and the employment of persons with disabilities, for example, would increase the company's social value, while incidents of legal violations and penalties or increases in carbon emissions would count as social costs.

Sources: YongJae Lee, *Social Enterprises in South Korea: How Can They Create Both Trust and Social Capital?* (East Asia Foundation, 2020); SK Hynix, "[SK Hynix Announces 2020 Social Value \(SV\) Achievements](#)", 10 May, 2021.

Box 7: Public institutions founding social enterprises

The state-owned enterprise, [LH](#) (Korea Land and Housing Corporation), in collaboration with the Housing Welfare Foundation and the Work Together Foundation has been setting up LH neighbourhood social enterprises since 2010. Twelve of them, including the 'Dong-gu Happiness Network' in Daegu, the 'Dream Place' in Wonju, and the 'Exciting Community' in Paju, are registered as social enterprises.

For the community social enterprise set up in Daegu, local residents at a rental housing complex started a life cooperative association (*Saeng-hyup*) and built a social welfare foundation (*Hansarang*) in the neighbourhood. Their efforts also led them to create a housing cooperative and a care cooperative, generating a positive chain reaction. In consequence, the reinvigorated local community feeds positively into the spread and growth of community social enterprises.

Source: Work Together Foundation and HERI, *Governance Innovation for Collaboration and Co-prosperity: A Case Study of LH Community Social Enterprises* (Shinwoo Publishing, 2013).

²⁴ Social orientation refers to organizations having a social mission aimed at addressing social problems and/or being member-based.

²⁵ Federation of Korean Industries, "[2014 Casebook of Corporate and Corporate Foundation Corporate Social Responsibility Program](#)", 2014.

Policy challenges

The mapping of the SSE landscape reveals that a broad institutional ecosystem, comprising actors and organizations from multiple sectors, is taking shape. This development is spurring not only the growth of particular types of SSEOs but also important synergies with other organizations and sectors. The creation of one SSEO can generate important multiplier effects at the local level, which in turn can stimulate more assistance and investment from the public sector. Public sector organizations, private companies, non-governmental organizations and workers and producers in the informal economy are increasingly adopting at least some SSE practices related to income-generation, group formation, social purpose and democratic governance. The case of the Republic of Korea sheds lights on both the opportunities and challenges of SSE formation and expansion in a context where the process has been strongly influenced by the state and where private companies and for-profit orientation are increasingly impacting the SSE arena. The following three sets of policy challenges seem particularly relevant.

Policy discourse versus reality

The numerous policy initiatives identified in this research indicate that SSE has clearly cemented its place in public policy. But there is a risk that policy discourse can run ahead of reality. While data on the number of SSEOs and government support initiatives suggest that the sector has expanded significantly, SSEOs still only account for approximately 3 per cent of all businesses. When large financial cooperatives are included, the contribution of SSE to GDP accounts for 4.43 per cent, but only 0.55 per cent if they are not.²⁶ Employment by the main types of SSEOs accounted for 1.4 per cent of total employment.²⁷

While government support has grown, it remains relatively limited and is often focused on a narrow range of activities that tends to be skewed towards commercial enterprises. In the case of the government's preferential purchasing policy, for example, social enterprises and social cooperatives accounted for only 2.85 per cent of all public purchases in 2019.²⁸ This reflects not only the

weight of commercial firms in public procurement but also the low value-added of many goods and services produced by SSEOs.²⁹ Such data suggest the validity of recent efforts to strengthen the broader institutional ecosystem for SSE, rather than focusing only on targeted support for particular organizations.

Ongoing legal and policy gaps

There are important gaps to be filled in the laws and policies. Some relate to the informal economy, including home-based and platform work. Labour and social security laws could be reformed to provide safety nets and improve working conditions.³⁰ Policy support can also be provided to informal sector workers that look to SSE as an avenue for improving their economic and social situation. Forming cooperatives and social enterprises are important in this respect. Substitute drivers, for example, have established their own cooperative to provide support among themselves, boost cab services and improve their working conditions.³¹ As well, household workers (Life Magic Care Cooperative), computer programmers (Korea IT Developer Cooperative), freelance artists (CN Cooperative), supporting actors, freelancers and translators have all formed their own cooperatives.

Reforms also need to take place in relation to laws related to the SSE sector as a whole. Still pending in the National Assembly are three laws that were first introduced several years ago. These include the Framework Act on the Social Economy (FASE) which aims to provide a comprehensive legislative basis for the sector as a whole. Such an Act is important for integrating government support and enabling the broader SSE institutional ecosystem.³²

Quantity versus quality

State engagement with the SSE agenda has facilitated its expansion and positioned SSE more centrally in social and labour market policy. Many SSEOs, however, lack internal cohesion, social capital, participatory practices, managerial and technical knowhow and collaborative relations with other SSE actors. At the enterprise level, this raises questions regarding their autonomy and the long-term sustainability of their income-generating

26 Interdepartmental Report 2019 cited in Kil-Soon Yoon and Sang-Youn Lee, *Policy Systems and Measures for the Social Economy in Seoul*.

27 See KoSEA, *Korea Social Economy*. This data does not include farmers and others who are members of cooperatives. CICOPA estimates that there were 2.5 million 'producer-members' in the Republic of Korea around 2014, as well as 25.3 million people who used the services of financial, consumer, housing and other cooperatives as 'user-members'. See Hyung-sik Eum, *Cooperatives and Employment, Second Global Report 2017* (CICOPA, 2017).

28 KoSEA, *Korea Social Economy*.

29 Kil-Soon Yoon and Sang-Youn Lee, *Policy Systems and Measures for the Social Economy in Seoul*.

30 Hankookilbo, "Platform Labor Faces Challenges" (October 21, 2019); For international norms see: ILO, *Work for a brighter future – Global Commission on the Future of Work*, 2019.

31 See "COOP cabs shake up taxi industry" and "Seoul-based COOP Taxi gives power back to drivers."

32 Other legislative proposals include the 'Special Law on Promoting Purchase and Supporting Market Access of Products of Social Economy Enterprises' and the 'Basic Law on the Realization of Social Values by Public Institutions'.

activities.³³ Nearly half of the organizations established over the past decade or so, have ceased their activities.³⁴ Limitations related to human and social capital can also restrict the scope for ‘co-construction’ of public policy, the ability of SSE actors to effectively shape policy design, implementation and review by participating in the policy process.³⁵

Government policies could offer a flexible approach. The certification of social enterprises, for example, is important to ensure a level of managerial competence and minimize free riders. At the same time it can inhibit the formation of more diverse and creative enterprises, and restrict their mission to that of job creation or the provision of specific social services.³⁶ Such objectives may divert attention from myriad ways in which SSE can contribute to social and economic development and democratic governance.³⁷ Measures to facilitate the certification of a wider range of social enterprises could assist in this regard.

As SSE becomes more intertwined with private sector institutions and market relations there is also a risk that commercial objectives and managerial hierarchy may crowd out social and democratic priorities.

Government regulation can inadvertently foster such a shift. Enterprises that are formed to take advantage of incentives provided via the social enterprise certification scheme, for example, often choose the legal form of a commercial company rather than a non-profit entity given the relative ease for meeting certification criteria.³⁸

How these tensions are managed remains to be seen but the fact that there exists a vibrant process of policy review and innovation based on monitoring, evaluations and multi-stakeholder dialogue bodes well. As well, different government administrations and political parties are voicing significant support for SSE. This may mean that SSE can avoid the situation, common in many countries, where SSE policy is associated with a particular political party or leader, and where the rotation of parties in power can generate policy instability.

33 In a survey, 38.9 percent of enterprises reported that it would be difficult to be self-reliant without government support. See Kim, J. et al., *The Report on the Status of Social Economy and Policy Satisfaction Survey* (Korea Development Institute, 2018) cited in Kil-Soon Yoon and Sang-Youn Lee, [Policy Systems and Measures for the Social Economy in Seoul](#) (UNRISD, 2020).

34 Official government data on cooperatives indicate that only 7,050 out of 11,612 registered cooperatives are in operation (Ministry of Economy and Finance, 2020).

35 Marguerite Mendell and Béatrice Alain, “Enabling the social and solidarity economy through the co-construction of public policy”, in Peter Utting ed., *Social and Solidarity Economy: Beyond the Fringe* (Zed Books, 2015); Eun Sun Lee, “Development of Social Economy in South Korea: The Role of Civil Society,” in *Social Economy in Asia: Realities and Perspectives*, ed. Euiyoung Kim and Hiroki Miura (Lexington Books, 2021), 127-148.

36 Hyuck-Jin Choi et al., *Public policies for the social and solidarity economy: The case of the Republic of Korea*.

37 Marguerite Mendell, [Improving Social Inclusion at the Local Level through the Social Economy: Designing an Enabling Policy Framework](#) (OECD, 2014).

38 Kim Dung, [Social Enterprises in South Korea: How Can They Create Both Trust and Social Capital?](#)

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