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PREFACE

A new way of doing business

“**R**aising competitive advantage and productivity by combining
Social purpose and **E**conomic activity” (RiSE)

Walking along pathways to social sustainability requires new ways of doing business ...

Contributing to the celebration of 120/50 years of Korean-Austrian relationships, Initiative Future Association initiated the cross-national research program «RiSE», addressing key socio-political issues in Austria and South Korea. The outcome of our research program is the design of a viable socio-economic model, leading to the integration of social purpose into economic activity in order to raise competitive advantage and productivity. Developing such a model will help solving major issues such as the advancement of a social economy sector, increasing motivation at work, support of SME structures and regional development.

Initiative Future Association pursues pathways to social sustainability by advancing a social mission through an ongoing economic activity ...

This includes responsibility toward people and environment including spirit and purpose at work. Due to excessive and long working hours without personal involvement, many people lack motivation at work, leading not only to high losses for the companies but also to personal frustration. Currently, South Korea has the potential to **raise its productivity by approx. 50%**, which is said to be a key issue in its economic development. There is mounting evidence that the missing integration of social and ecological issues has led to increasing economic and social crises. To **integrate a social dimension into a business** plays therefore a significant role in coping with socio-political issues. In fact, enterprises in which the social

purpose represents the main reason for doing business are already recognized by researchers and policy-makers for **having the potential to solve socio-politic issues**. On the other hand, engaging in an economic initiative for the purpose of helping other people highly enriches daily work. This way, **joy and motivation** come back into people's offices.

The Initiative Future Association

People desire healthiness and a life filled with joy...

Our “Initiative Future Association” is a private, independent research association that pursues pathways to social sustainability by advancing a social mission through an ongoing economic activity. Our activities cover:

1. Economic Research on the viability of social systems
2. Children Aid Ministry in Uganda/East Africa
3. Socio Economic Enterprise

The history of Initiative Future Association dates back to 1999 with the establishment of the **children aid ministry “Helping Hands Family”**, started from a personal initiative of Christine Fenböck. A small beginning has become a growing project with a clear vision: a Network of Schools that include homes for orphans. Our vision is to raise well educated and devoted people who are willing and able to serve their own community. Our overall principle is to enable the Ugandan people themselves to help their fellow citizens. We serve as the Helping Hands. Parallel to the development of our social initiative, a **socio-economic enterprise** was set up in order to support our social mission in Uganda. Thus the limited liability company LIFE Products Marketing GmbH was established in 2003. Its primary activities cover Marketing and Event Management as well as the development and production of “Yobeliee” a premium quality beverage suitable as effective alternative to alcoholic beverages.

2. INTRODUCTION

2.1. Purpose and Relevance of this Thesis

During my exchange studies at the Seoul National University I experienced South Korea as a turbulent, technically highly sophisticated country. When I stayed in Korea I got the feeling this country would have the energetic willpower of overcoming any obstacle it might come across. The Republic of Korea turned from an isolated agricultural society, with only a few natural resources, fighting with post-war issues, into a modern market economy which ranks 15th in the world by nominal GDP and 12th by purchasing power parity (PPP). The South Korea of today is a high-income developed country and member of the OECD since 1996.

However, I came across many social issues which have concerned me since. South Korea is facing severe social issues; including high suicide rates (highest among OECD nations) as well as the lowest fertility rate, its divorce rates have soared and household debts have more than doubled. In fact, South Korea's household saving rate has dropped from the world's highest to the lowest among OECD nation's leading to growing inequality among the population and falling consumption growth (McKinsey, 2013).

As the government is seeking for solutions it introduced a program called the "social enterprise promotion act" in 2007 which provides not only welfare services but also jobs for the unemployed or disadvantaged social groups. These new social enterprises, I believe, can make a difference in our societies. How much of a difference they make, I would like to examine in the case of South Korea. I chose to introduce three key problems in Korean society which are strongly linked to each other and discuss the question:

Do Korean Social Enterprises have the potential of solving key social issues?

It is a sad fact that Korea is facing *demographic transition into an aging society* with severe poverty among the elderly. Many of these elderly are taking their lives by horrible means, like for example drinking acids. Political actors are unable to meet the demands of an ailing society and are striving for solutions. But not only demographic transition puts a high

burden on government and society, but also *unemployment and educational pressure* on the new generation does. In fact, I found the high unemployment rate especially for the young and educated as one of the most severe problems in Korean society. Another sad fact was the educational pressure which many young people face during their high-school years and the so called "education hell". Due to the high pressure to achieve a goal which is set up too high, many young men and women fall into depression, in the worst cases leading to suicide. I also believe it is not only the high pressure of studying or reaching a set goal - I argue that many take their lives because they can't see an end to it. I believe so because I have talked to my colleagues at Seoul National University and they told me that after they reached a certain goal, for example getting into the university they wished for, pressure goes on, and they know once they get into one of the big companies, pressure will still accompany their whole life with long working hours. One of my colleague's roommate hung himself in the shower of their dormitory. I was shocked about this incident, however for my Korean colleagues it was not uncommon to hear that - it is widely acquiesced in society.

I believe, social enterprises can be used as a significant tool in fighting social and economic pressures and are offering one path to a healthy society and social sustainability. This I would like to explore in my thesis.

2.2. Research Task

Social enterprises can be a key element on our way to reach sustainability and solving equity issues. As the development of certified social enterprises is growing, research efforts grow correspondingly. Research on social entrepreneurship is not yet developed enough (Sohn & Kim, 2013) but has recently drawn considerable attention in Korea - most papers on social entrepreneurship have been released during the last 3 years.

Research efforts have been conducted mainly in the fields of business and management. The long-term sustainability and capital structure of social enterprises is being questioned by many scholars as social enterprises largely rely on government subsidies and lack market-driven investment from private investors (Moon, 2012). Therefore interest is steadily rising among researchers in terms of performance measurement and sustainability (Jung, Seo, & Jang, 2013; Kim J.I. 2013). Concerns about SE's economic efficiency have been raised, e.g. by Park and Kang (2012) who investigated critical success factors of social enterprises, or Chang, Hong and Cha (2012) who investigated factors of influence of sustainability and performance. Rhee and Rha (2010) investigated on social accounting in order to measure the socioeconomic value of social enterprises on Social Return on Investment (SROI), quantifying their social and environmental values in monetary terms.

Social entrepreneurship has also gained attention from cultural fields such as the cultural arts exploratory study on the potential of social enterprises (Seo, 2012). There has been also interest from religious perspectives like studies on Buddhist social enterprises and their welfare management (Kwon, 2011) and social entrepreneurship from the view of Christian business ethics e.g. suggesting how Korean churches should deal with social enterprises, looking into the ideas and practices of two famous Christian social enterprises (Jo, 2013).

Other studies suggest promoting social entrepreneurship in the areas of fair tourism or welfare tourism encouraging social responsibility (Kim & .Ko, 2011), also exploring the potential for social enterprise opportunities in the context of tourism development (Kim & Ko, 2012).

Case studies have been conducted on the economic situation of SEs, their international development (Sohn & Kim, 2013) or on changes in civic consciousness and welfare attitudes among the public (Han, Park & Oh, 2013).

Also fields of political science have gathered interest in Social entrepreneurship and issues of social enterprise law have been raised - criticizing the lack of infrastructure and professionalism in business operations (Kim, Yang, & Jung, 2012).

Regional analysis and case studies of social enterprises within Korea have been conducted (Choi & Kang, 2012; Kim J.I 2012; Ryu 2012) as well as case studies of other foreign countries' social enterprises like Japan or Austria (Kim, Je, & Lee, 2012; Eoh, 2011).

Research on Social entrepreneurship focusing on social issues in South Korea has not been conducted in this form so far, and this is what I would like to contribute in the field of social entrepreneurship in Korea.

My research question therefore is:

Do Korean Social Enterprises have the potential of solving key social issues?

To see how those social enterprises perform in Korea, I will answer the research question in two main parts:

- The first part explores the social environment and institutional background in South Korea, detecting key social issues in society which can be tackled by social enterprises. These are issues relating to *an aging society*, the *employment market*, and *education* and their challenges. Do social enterprises have the potential to tackle those issues?

- As answer, the second part analyzes the current situation of social enterprises in South Korea. This explorative study is performed on the basis of literature and document analysis and my own field research through open interviews with decision-makers and interviews with social entrepreneurs in South Korea. The analysis of quantitative and qualitative data provides fundamental information on social entrepreneurship in Korea. I will introduce social entrepreneurship in its general importance and prominence in Korea by analyzing their potential of solving key social issues described above.

2.3. Field of research

In past decades, South Korea (henceforth Korea) has seen major changes and has emerged into the world stage of industrialized countries. Remarkable economic growth has made Korea into a world player with GDP growth rates of 4 percent per annum during the past decade. In fact Korea has been one of the fastest-growing OECD countries in terms of real GDP (OECD, 2012).

South Korea has also undergone major changes in social structure. Industrialization has not only brought great growth rates in the economic sector, but also great changes to society and social life. South Korea faces the demographic challenges of an aging society and there is an increasing demand for various sorts of public aid for single parent families or unemployed members of society. Demographic shifts create pressures for change and demands for social spending continue to push upwards. At the same time the constraints on additional spending are tightening due to pressures of the global economy (Gilbert, 2004). Socio-political pressures for change are therefore lying heavily on the shoulders of political actors in South Korea.

However, rising social spending and generous welfare benefits can also imply so called “poverty traps” or “enforced dependency” by encouraging individuals to rely on social services provided by the state (ibid, 2004). This is why there is a big challenge to be solved by

Korea’s welfare state program, and political actors in South Korea are looking for new pathways to sustainability.

According to Gilbert (2004, p. 13) there are four lines of influence on social and economic pressure for change (Table 1).

Table 1 Social and Economic Pressures for Change: Four lines of Influence

Four lines of influence	Social and economic pressures for change
Demographic transition	Aging Divorce rates Extra-marital births
Globalization of the Economy	Mobility of capital to where production costs are low Mobility of labor to where benefits are high
Knowledge of unanticipated effects	Disincentives to work Dependency traps
Capitalism	Rising faith in market economy Privatization

Source: Gilbert 2004, p. 13

As Gilbert has shown, social and economic forces have created at least four major lines of influence that are reshaping the institutional framework of social protection. Due to these challenges or factors that shape economy and social stratification, there has been raising emphasis on individual responsibility to work self-sufficiently. In Korea we can find increasing emphasis on designing social policies to enhance the productive forces of society by political leaders and welfare scholars. There is indeed a call to transform the welfare state into an economic performer (Gilbert, 2004). South Korea has done so by introducing various policies of which one is called the “**social enterprise promotion act**”.

According to Article 1 of the SE promotion act (2007), it’s the purpose is to contribute to society by means of expanding social services and creating jobs. For this purpose Article 2 defines the term ‘social enterprise’ as:

“An organization which is engaged in business activities of producing and selling goods and services while pursuing a social purpose of enhancing the quality of local residents’ life by means of providing social services and creating jobs for the disadvantaged”.

In fact, Social enterprises are significant not only as a social policy (Park, 2009) but also as a field of research, which has seen a strong rise in scholarly attention during the last two decades (Mair, 2010).

In many of today’s developed countries, the growing demand for services, the slow growth rates of the economy and changing social stratification have challenged the sustainability of employment, welfare services and the development of policies (Becchetti & Borzaga, 2010, p. 1). Accordingly, the demands for services in the social, health, educational, and environmental sector have been increasing, while governmental policies have often failed to tackle long-term unemployment and underemployment by the disadvantaged (ibid, 2010).

As a response, there has been a remarkable growth in the third sector, i.e. in socio-economic initiatives which belong neither to the traditional private for-profit sector nor to the public sector (Borzaga & Defourny, 2001, p. 1). The backgrounds of these initiatives widely originate from voluntary organizations, an expression of the civil society against a weakening economy and difficulties of the welfare state. This third sector is also often called ‘non-profit’ or ‘social economy’ which is now broadly associated with public authorities (ibid, 2001).

This growth in the third sector shows evidence of the lack of integration of social and ecological issues which badly injures our human environment. There is a growing need for fundamental change in our economic system. Both researchers and policy makers are therefore seeking for pathways to sustainability and show high levels of interest to provide innovative response to current economic, social and environmental issues (COM (2011) 682 final dated 25.10.2011)

2.4. Objectives and Methods used

Seeing that academic research on social entrepreneurship is still in its infancy, the methodology is based on exploratory research, covering: **monitoring** of the growing number of social enterprises in Korea during the last years, **document analysis**, **open interviews** with decision makers and interviews with social entrepreneurs in South Korea.

Since the topic of this thesis has not yet been elaborated in this form, I will carry out the following steps according to the code of practice by Schmidt, C. (in Flick et al., 2005, p. 448) as framework for my thesis.

- Creation of Categories: examination of the material; categories are framed. These are three categories of framing social issues in Korean society: *aging society*, *employment and education*.
- Analysis of data: qualitative and quantitative data collection through primary and secondary research: literature and document analysis, open interviews with decision-makers and interviews with social entrepreneurs in South Korea.
- Description of examples: Seven concrete examples of Korean social enterprises.
- Interpretation of results: Answering the research question whether social enterprises have the potential to solve social problems.

The thesis is therefore structured in two parts. First, I will explore the social environment of South Korea, creating categories of three key social issues before I turn to “Social Entrepreneurship”. The second part analyzes the current situation of social enterprises in South Korea. I will introduce social entrepreneurship in its general importance and prominence in Korea by analyzing their potential of solving key social issues described above.

For Korean romanization to represent the Korean language in Latin script, I chose to use the *Revised Romanization of Korean*, not only because the Korean government officially uses this system but also because I am more familiar with it. Korea's alphabetic script is a true alphabet, called *Hangeul* (한글), and is the native alphabet of the Korean language. Chinese characters, in Korea they are called *Hanja* (한자, 韓字) are sometimes augmented in *Hangeul*.

Values given in Korean won (symbol: ₩; code: *KRW*) are converted in Euro (symbol: €, code: *EUR*), at an approximate exchange rate of 1 EUR = 1500 Korean won.

Part 1: Social Environment

The first part of this thesis explores the social environment and institutional background in South Korea, detecting key social issues in society which can be tackled by social enterprises. These are issues relating to *an aging society*, the *employment market*, and *education* and their challenges. Do social enterprises have the potential to tackle those issues?

3. INSTITUTIONAL BACKGROUND

According to Article 34 of the Korean Constitution, the government must guarantee every citizen a fundamental right of life (Ku 2003, p. 138).

Social security is closely linked to poverty prevention, and in practice it means that people in need get some kind of cash benefit for poverty relief, through institutional arrangements and not through the market (Ku, 2003). Income maintenance is a central task for social security. People can face insufficient income for many reasons, like unemployment, death of the family head, old age, injury, disease, substandard wages, price-level changes, natural disaster and other factors. However, not all of these factors or circumstances are targets of social security. Some needs are covered by the health care service, and wage levels are usually negotiated by employers, workers and trade unions. Social security provides benefits to compensate for loss of income arising from illness or death. Most common are cash benefits in case of poverty, old age, unemployment, occupational injury and disability, death and survivors (Ku 2003, p. 129).

South Korea has chosen to rely on social insurance¹ and social assistance² schemes as the two pillars of social security. Development of the social security system came with the Government Employees' Pension system in 1960 (ibid, 2003).

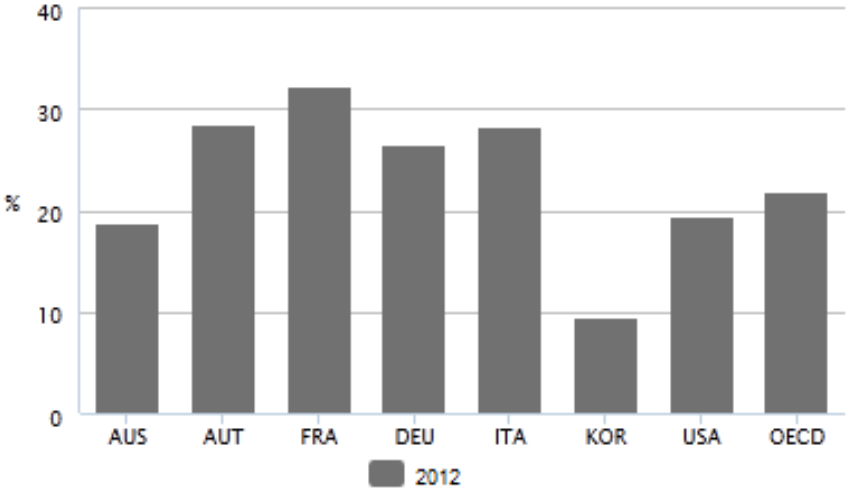
¹ A usually compulsory government sponsored program funded by taxes to account for income and expenses.

3.1. Social Expenditure

Social expenditures provided by public institutions are an indicator of social security in a given country. According to Statistics of Korea, social expenditures in 2009 were estimated to reach 110.5 trillion won, 10.38 percent of nominal GDP. This numbers have almost doubled in 7 years, in 2002 the expenditure of nominal GDP was only 5.62 percent. This rise is due to the foundation of a basic framework for social security, such as national basic living security and the introduction and expansion of the social security system.

However social spending in South Korea is still very low in comparison to other OECD countries.

Figure 1 Social Spending in Comparison



Source: OECD, Social Expenditure: Aggregated data

3.2. History of welfare policies

Before the 1960's there hasn't been a functioning state welfare system in South Korea. Korea was occupied by Japan until 1945. After liberation from the enemy forces, the Korean peninsula was forcefully divided along the 38th parallel line and entered a three-year United

² In form of monetary payment, subsidies, vouchers, or housing assistance (commonly provided to those who are unemployed, ill, disabled or elderly, etc.)

Nations (UN) trusteeship. While North Korea was governed by the UDSSR, South Korea was under the government of American forces. In 1948 elections were held separately in the country: in South Korea, Rhee Syngman was elected president of the first Republic, and in the Northern part of the peninsula, Kim Il Sung was elected President of the Democratic People's Republic of Korea.

It was in the early 1960s, that the social security system first came onto the policy agenda of the government. After the devastating Korean War (1950-53) South Korea's economy was under despair and entirely dependent on foreign aid. US aid amounted to 15.9 percent of GNP throughout the 1950s and even reached the peak of 22.9 percent of GNP in 1957 (Shin 2003, p. 47). The Rhee government therefore made little effort to implement a state welfare system. The country relied on foreign relief aid programs by international aid organizations like UNICEF. Despite the inability of the state to provide for social welfare, income distribution was quite equitable with a Gini coefficient of 0.34 in 1965³.

After massive student uprisings in 1960, a new government was elected. Following a short-lived democratic government, Park Chung-hee resumed power after his coup d'état on 16 May 1961. The military junta soon restructured government organization and established the Economic Planning Board (EPB), the Ministry of Finance, and the Ministry of Trade and Industry. The EPB was not only able to set up economic 5-year-plans, but also to manage and to regulate the execution of these plans. The EPB became further influential when its minister was made deputy prime minister, who also had direct chairmanship of the Council of Economic Ministers. The policy idea of 'growth first' or 'trickle down' was predominant in all policy-making processes (Shin, 2003, p. 53). The Korean economy rapidly developed with an average annual growth rate of almost 10 percent during the 1960s; however labor market conditions were unfavorable to workers. Due to labor abundance, caused by migration to the cities, many workers found themselves unemployed. The labor movements were too weak to

³ A Gini coefficient of zero expresses perfect equality, where all income is equally distributed among all. A Gini coefficient of one means all income goes to only one person, expressing the maximum inequality among values

have influence on the formation of state policies and workers were hardly in the position to raise a policy agenda in order to realize their interests at that time. Social welfare never had been in the policy agendas of the government, and in 1960, the majority of people were in absolute poverty, without any social protection. That is why, with the military coup in 1961, social welfare became a political issue.

“We will make our best efforts to improve the quality of ordinary people’s living and establish the welfare society by the introduction of a social security system based on social assistance and social insurance programs.” (Editing Board for History of the Korean Military Revolution, 1963:391 in Shin, 2003, p. 62)

The military government thus established the Social Security Investigation Committee (SSIC) as an advisory agency within the Ministry of Health and Social Affairs (MOHSA). In 1962, the SSIC was asked to prepare drafts of welfare programs that could cover the Korean population by 1963.

Social welfare laws were passed: the Military Pension Law (1963), the Social Security Related Law (1963), the Industrial Accident Compensation Insurance Law (1963), and the Medical Insurance Law (1963). Actually put into effect were: the pension scheme for the military personnel in 1963, the Industrial Accident Compensation Insurance in 1964, pilot medical insurance programs in 1965 and a social assistance program in 1969 under the title ‘Living Protection’.

After the pension scheme had been put into effect for public employees including military personnel in 1960, a separate pension scheme was introduced for military staff in 1963. Initially the funds were financed by contributions paid by the insured at 3.5 percent of their monthly salary and by a government contribution of 2.3 percent of the insured’s monthly salary (Shin, 2003). The amount of retirement pension was 50 percent of the final year’s salary for those who had been in service for 20 years regardless of their age (Shin, 2003).

The Industrial Accident Compensation Insurance (IACI) was the first compulsory welfare program introduced in 1964. In 1962 the committee for social security (CSS) chose it from three alternatives: IACI, unemployment insurance, or health care insurance. The IACI was chosen because of the easy funding and implementation. Also was the argument that an

injured laborer is in a more severe situation than an able-bodied unemployed worker. In the beginning, the IACI only covered laborers in mining and manufacturing companies with more than 500 employees. In the following years the program was gradually extended, and in 1969 it was applicable to companies with more than 50 and in 1987 with more than five employees. In 1990 41.3 percent of the workforce was covered by the IACI. The government did not fund this insurance system; it was financed through the contribution from employers. Only administration costs were subsidized in the first 2 years 1964/65. However, the system was run by the government and not by a public body or private insurance company (Kwon, 1999). This implementation of a series of social welfare laws resulted from the fact that the military junta needed to elevate its political legitimacy. The military junta was suffering from lack of legitimacy because of lack of visible economic performance, poor harvests and insufficient social reforms (Shin, 2003).

The benefits covered medical expenses if the period of treatment exceeded three days and also provided for 70 percent of the insured's wages during the recuperation period. In case of total or partial disability, a lump-sum payment or disability pension was given depending on the severity of the injury (Shin 2003). Compensation was given if the accident occurred during the work process, or if the accident's cause was related to work. In 1972, the IACI opened an Industry rehabilitation center and in 1975 the Changseong Hospital in Kangwondo (Kwon, 1999).

The Pilot Medical Insurance Program was introduced in 1965 to cover workplaces with more than 500 employees. However, soon the compulsory principle was ruled out and a voluntary affiliation principle was chosen instead (Shin 2003). It was in 1977 that the Medical Insurance Program (MIP) became compulsory. In the meantime, it was implemented only in a few workplaces as pilot programs. In the end the MIP proved to be a failure, but became the main pillar of the modern Korean health care system, which has developed on the basis of the Bismarckian social insurance model (Shin, 2003).

In 1973, the plan to introduce a national pension scheme for all retired workers was announced and the National Welfare Pension Law (NWPL) was enacted thereafter. However, despite this legislation, the NWPL did not come into effect until 1988. The government tried to justify this postponement by pointing out that businesses were suffering

from the recent oil shock. Nevertheless, the NWPL adopted a social insurance model rather than a basic state pension.

When the MIP took effect in 1977 the government initiated the Medical Assistance (MA) for the poor who were entitled to the Public Assistance Program (Shin, 2003).

After the financial crisis in 1997 the social security program was unable to cope with the growing number of claimants and the National Basic Livelyhood Security Law took effect in October 2000. Anyone who is eligible for social assistance receives it, however beneficiaries who are able to work must search for work and accept training, employment on public works and any job provided by the local welfare office (Ku, 2003).

Today, the Ministry of Health and Welfare (MHW) is responsible for overseeing the major social security schemes which are the National Pension Programme, National Livelyhood Protection, and National Health insurance. Some responsibilities are assigned to the relevant functional departments, like benefits for military servicemen in the Ministry of Defense, school teachers in the Ministry of Education and so on. The MHW is responsible for policy making, scope of scheme, levels of benefit, fund management, and operation. The National Pension Corporation supported by a range of high-level committees, actually administers the programmes (Ku, 2003, p. 137).

In 1989 they attained universal coverage of the population and in 2000 a single national health insurance program was implemented under Kim Dae-Jung (1998-2003). Kim Dae Jung took office during the financial crisis and advocated an orientation of “productive welfare” (Park, 2008).

Areas of reform addressed social insurance, expanding the coverage of employment insurance and industrial accident compensation insurance. As of 1999, the National Pension Scheme was extended to cover all citizens between 18 and 60. Furthermore, the government sought to reduce household expenditure on health care and established the National Health Insurance Cooperation (NHIC) in 1997. In 2000, the National Basic Livelihood Security System (NBLSS) was implemented, to provide social security to all people living beneath the poverty line (Park, 2008).

3.3. Social insurance

The Korean social insurance system is a welfare system to which individuals must contribute. The welfare system helps the insured to get prepared for times of little or no income due to disease, disability, old age, or death. There are four social insurance components: work injury compensation insurance, health insurance, public pensions, and unemployment insurance (Kim, 2003, p. 266).

Work Injury Insurance

This is the oldest insurance in Korea (1964) and provides the insured with benefits for treatment of work-caused diseases and injuries, compensating for income losses, while being treated of disease and injury. In addition, occupation-related diseases are covered. Employees of any workplace benefit from the insurance and this is being financed exclusively by contributions from employers (Kim 2003, p. 267).

Health insurance

This insurance was enacted in 1963 to reduce the financial burden caused by accident, disease, birth or death. Benefits consist of both cash payment and in-kind benefits. The health care costs are covered to 50 percent by the patients on a fee-for-service basis (Holliday, 2001). These co-payments are required to prevent unnecessary utilization of health care services and resources. Cash benefits are paid to reimburse for medical care that are paid by insured persons (Kim 2003, p. 268). In South Korea, health care is dominantly provided by the private sector. Almost 91 percent of the medical facilities are private clinics and hospitals and employ 89 percent of physicians. Traditional medicine still plays an important part in health care provision (Holliday, 2001).

National pensions

The first pension system was adopted in 1988 and provides the insured with financial security against aging, disability, and death (Kim 2003, p. 270). Under the national pension system, subscribers or their family members get paid a pension if they are no longer being able to generate income. This pension system was extended to all businesses very late in 2006. And at the end of 2010 almost the whole population was covered by a national pension (KOSTAT, 2012).

Unemployment Insurance

Launched in 1995, the purpose of the unemployment insurance is to secure income for workers during times of unemployment and to promote employment through job training and human development. All workers, **except those of working part-time** are covered by this insurance. There are three types: support for employment security; unemployment benefits; and job training and human development. Unemployment benefits amount to **50 percent of the average income before unemployment**. Minimum is 250 000 Won (approx. 167 Euro) per month and maximum is 900 000 Won (approx. 600 Euro) per month. To be eligible for this insurance, the insured has to have worked for at least 6 months at an insured company and the person can be covered for a short period of two to seven months (Kim 2003, pp. 270-71).

3.4. Challenges

Korea has adopted the welfare state as a basic principle of its constitution. However, despite all efforts of the government to raise social welfare benefits, South Korea's welfare and social insurance system can be described as underdeveloped and families as well as the private market play central roles in providing a social safety net. Current social security expenditures have still not reached an adequate level, compared to other OECD countries (Kim M. , 2003). Indeed, the government tried to organize and mobilize civil society actors rather than enforcing public infrastructure of social welfare (Bidet & Eum, 2011), which is attributed to the "growth-first" ideology which most political actors have favored to push Korea to become an economically strong and independent nation (Park Y. S., 2008). Kwon and Holliday argue that the expansion of social programs was a precondition for corporate restructuring and that Korean welfare capitalism remains productivist. There has been little change in the philosophy of the Korean welfare state (Kwon & Holliday, 2006).

4. SOCIAL ISSUES

In this part I included three social issues which I have experienced as most pressing and which are strongly linked to each other - leading to traps of a vicious circle. First I mention the issues of an aging society, second of unemployment and the labour market, and third of education and relating pressures.

The issue of an aging society is obvious: exploding social costs, changes in demographic structure, a smaller workforce carrying the burden of sustaining the system, high pressure on small families to care for their elderly relatives etc. The labour market itself is under pressure to produce high and efficient output to finance high social costs and due to demographic transition women have to actively participate in the labour market. Furthermore, high costs for education make it necessary for both partners to earn the money needed. Because of high costs for education, people are reluctant to raise more than one or two children thus leading to demographic transition. Furthermore, excessive spending on education leads to reduced savings which would be essential in later years due to an insufficient pension system. Korea's elderly generation put trust in the intergenerational contract which obliges their children to care for them in return. However, the children are often not able to keep this promise anymore, as they have to deal with the high costs of their own offspring. Furthermore, it is almost impossible for women and men to take care and look after their elderly parents after a ten hours shift, not to forget they also have to look after their own children. This in turn pushes elderly not only into poverty but also into despair and loneliness resulting in a high suicidal rate among them.

4.1. Aging society

In South Korea, like in most industrialized nations, there is a steady upward trend to an aging society. The change in the fertility rate started in 1960s when a national family planning program was introduced as part of the first five-year economic development. Hence the fertility rate dropped rapidly and was accompanied by continued extension of life expectancy at birth (Kwon 2003). The change in fertility caused a reshaping of the demographic structure, showing a decline of the proportion of the youth (0-14) since 1960,

whereas the reverse trend was observed for the labour force population and the aged (aged 65 or more). As presented in Table 2, the proportion of the aged remained low until 1990. In 2012, the population aged more than 65 already made 11.8 percent of the population. Forty years ago, people over 65 made only 2.3 percent of the population. Rising incomes, improved satiation, and advanced medical care combine to produce a better health, people live longer and hence the population is made up of more old people than in the past. It is certainly a blessing for individuals to have a long life, however frequently they suffer from alienation and poverty in older years.

Furthermore, a larger number of retired people results in a greater demand of available resources. To supply for the aged is an immediate concern for society and to provide maximum well-being in old age, people probably need support from their family, work, and the state (Lee H.K 1993).

Table 2 Population by age group in %

Year	1970	1990	2000	2012	2020	2030
Total population	100.0	100.0	100.0	100.0	100.0	100.0
0 to 14	42.5	25.6	21.1	15.1	13.2	12.6
15 to 64	54.4	69.3	71.7	73.1	71.1	63.1
65 or more	3.1	5.1	7.2	11.8	15.7	24.3

Source: Statistics Korea, Statistics on the aged (Population Projections), 2012

Both the fertility transition and decline in mortality are known to cause population aging.

4.1.1. Demographic transition

Demographic transition has an impact on social stratification, and the expected future demographic processes will result in changes in size and structure of the labour force population (Kwon 2003). In the 1990's the Korean Development Institute (KDI) suggested that national funding for social infrastructure should be expanded, however, the tax policy

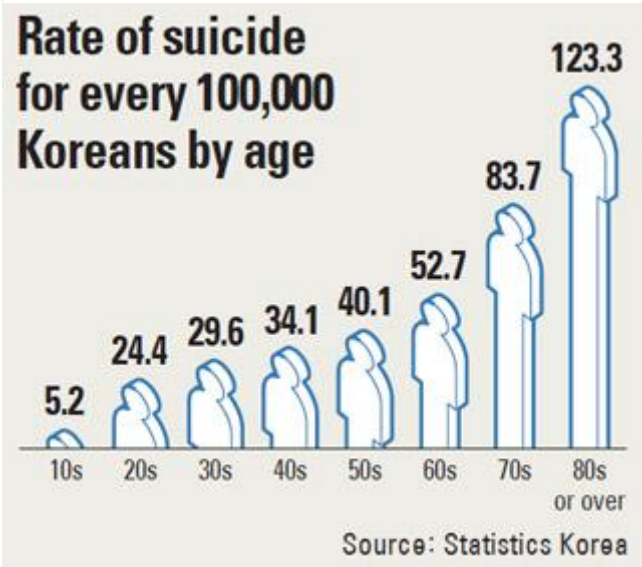
left little for the social welfare development, and while absolute poverty declined in the 1980's, the gap between the poor and the rich has increased. Recipients of the welfare payments under the Livelihood Protection Law received only so little that they could not even afford the governmentally provided rental apartments with low utility charges. Thus, Korea faces substantial inequalities of a very wealthy elite and a poverty population, especially of the elderly who suffer from severe poverty (Palley, 1992).

4.1.2. Suicide and poverty among elderly

Financial difficulties drive many elderly into suicide.

The annual income of a Korean senior citizen is only 67 percent of the average household income. The average in OECD nations is 82.4 percent. Furthermore the poverty rate among elderly Koreans is 45 percent, meaning that almost half of the Korean senior citizens are living in poverty. This is a very high rate compared to the OECD average of 13.5 percent (Chosun Ilbo, 5/7/2012).

Figure 2 Suicide rate among elderly



Source: Korea Jongaang daily, 10/9/2012

One of the reasons for the high poverty rate is that **only 32 percent of the elderly benefit from the public pension scheme**, which was introduced as late as 1988. Many people who are over 80 today could never apply; others paid in only for a short period and thus receive a meagre benefit. The payout for senior citizens amounts to 280,000 Korean Won (approx. 187 Euro) average per month. Another reason for poverty are the high costs of education for their children. Many parents feel obliged to pay for their children's private lessons, tuition

fees and language programs overseas. Not only that also the wedding expenses for their children are usually covered by the parents, they sell their homes to raise money for the newlywed couple or take loans to pay for wedding gifts. According to the Chosun Ilbo (5/7/2012), the costs of an average wedding in Korea amount to around 209 million Won (approx. 139 000 Euro) in 2012. By supporting their children, they have almost no money left for their old age leaving them in poverty.

According to Statistics of Korea, 81.6 percent of the suicides committed by the elderly are stemming from poverty, illness or family discord. There are growing numbers of suicides among people aged 65 or more. The total number of all suicides was 1,161 in the year 2000, this number quadrupled in only 10 years to 4,376 deaths in 2010. Of these suicides, 28.1 percent or, in numbers 1,230 suicides, were committed by elderly that year.

“Why would they spend all their money on their children?” one could ask. The answer can be found in the Confucian social contract (or intergenerational contract) which formed the backbone of the Korean culture for centuries. Parents would do anything to care for their children and would then rely on their care in old age. There was no social security needed and nursing homes were rare (New York Times 17/7/2013). However, today their children do not, or are not able to, take care of the elderly as it was common in former times, due to financial and time management reasons.

4.1.3. The Family as pillar of society

Traditionally, the family is widely recognized as a main pillar of society and there is an old saying: “A happy family life leads to successful social achievement (ga-wha-man-sa-sung)” (Yang, 2003, p. 121). The “family-first” ideology is a form of collectivism, which leads an individual to behave as a member of the family and not as an independent individual and family is considered to be a top priority. However, the traditional family structures are changing in the wake of industrialization, urbanization and globalization. Family sizes are

becoming smaller, divorce rates are increasing and there has been a sharp increase in single-person households (ibid.). According to Statistics of Korea (2012), the average number of household members has decreased from 5.0 in 1975 to 4.5 in 1980, 3.1 in 2000 and 2.7 in 2010, showing a clear trend toward small families. The general composition of households has shown rapid changes shown in Table 3. Two-generation households still remain the most common type while one-person households are rapidly increasing and three-generation households are steadily decreasing (KOSTAT 2012).

Table 3 Generational distribution ratio of ordinary households (1,000 households, % persons)

	Total	One-generation	Two-generation	Three-generation	One-person households	Households of unrelated persons	Average number of household members
1975	6,648	6.7	68.9	19.2	4.2	-	5.0
1990	11,355	10.7	66.3	12.5	9.0	1.5	3.7
2000	14,312	14.2	60.8	8.4	15.5	1.1	3.1
2010	17,339	17.5	51.3	6.1	23.9	1.2	2.7

Source: KOSTAT, Explore Korea through Statistics 2012, p. 21,

As the nuclear family system and individualism are emerging, most of the Korean elderly are not prepared for these changes. In 1988 only 2.6 per cent of the elderly received any form of pension payment and 65 per cent of the elderly had not made any preparations for their later life (EU, 1992). Consequently the family bears the responsibility of taking care of their elders. But due to the structural changes in family life and the increasing proportion of the population aged 65 and more, concerns are heightened.

According to Statistics of Korea in 2012, 79.1 percent of the aged persons in rural areas didn't live together with their offspring; which is also due to the fact that the younger generation moves to larger cities to find better chances of employment and education for

their children. Thus urban living became one determinant of family nucleation and migration has played an important role in this process as well.

The traditional practice is that the parents live with the family of their eldest son, who is being held responsible for the care of his elderly parents. It is a cardinal virtue of Confucianism that requires the obedience of the son to the father and of the wife to her husband. These obligations result in the daughter-in-law being obliged to care for her parents-in-law (Palley, 1992). However, due to the increasing participation of women in the labour force, some are not available as care-givers for their parents-in-law (EU, 1992). Therefore, married women - as they are increasingly well-educated, middle class women - seek to balance their activities of professional careers, raising children and providing care for the retired elderly (Palley, 1992).

Apart from the fact that children are not as available to take care for their parents as it used to be, another problem is that elderly in their later life lose their social status, lack cohesion in urban residences and lack financial power (ibid, 1992). Even though there is state protection for the elderly, welfare provision falls mostly into the hands of the family. In fact, many of the elderly are poor and ailing, but are not eligible for free medical care and income subsidies. This is why it is recommended to enhance the quality of their life through enlarging their employment opportunities. According to the population projection, the aged dependency ratio will double in the coming twenty years and this fast aging will require a change in the responsible aged for elderly care from the family to the state or society (Kwon, 2003).

The reason for the lack of proper infrastructure of social service and income-maintenance policies lies in the economic growth strategy which South Korea has pursued.

The emphasis has been put on high human resource development in education whereas the development in housing and public social-service area has been slow. There has been a high concentration of industries and population in major cities, in particular in Seoul and its surrounding region, which has aggravated housing and public-service shortages (Palley, 1992).

The mobilization of capital and skills has increased the well-being of many Koreans and substantial gains have occurred in the areas of rising per capita income and improved health and education, whereas housing, well-being of the very poor, the elderly, and the disabled have lagged in terms of social policy concerns of the government. The South Korean public policy still lacks a well-developed social development plan, which can cover additional social and economic costs for the society in future (ibid, 1992).

4.1.4. Social policies

The government of Korea is aware of these issues and introduced various programs in order to cope with them.

National basic livelihood security

“The National Basic Living Security System is a public program that provides basic livelihood assistance to low-income households whose income is less than the minimum cost of living and promote their self-support” (Article 1, “National Basic Living Security Act”; One-click, Life Laws)

This policy was implemented in 2000 and aims at people living under the minimum cost of living (not especially for elderly), see table 4. However, one can apply for allowance of the National basic livelihood security if: 1) they have no lineal blood relatives or spouse supporting them; and 2) if the amount of income is less than minimum cost of living. The minimum cost of living is measured every three years (One-click, Life laws)

The basic cash benefit is calculated from the minimum cost of living and is the highest cash benefit that can be received from a recipient with no income. It is the sum after subtracting the medical, educational expenses paid in-kind and subsidies paid under other laws from the minimum cost of living (ibid.)

Table 4 Minimum Cost of living and Livelihood cash benefit in Korean Won

Description	1-person household	2-person household	3-person household	4-person household	5-person household	6-person household	7-person household
Minimum cost of living 2012 (₩)	553,354 (~ 369 €)	942,197	1,218,873	1,495,550	1,772,227	2,048,904	2,325,580
Basic cash benefit (₩)	453,049 (~302 €)	771,408	997,932	1,224,457	1,450,982	1,677,506	1,904,031

Source: One click law “Guidelines for 2013 National basic living Security program”⁴

Eligible for allowance is one, who has no one supporting him or her, or that person he or she would have is unable to render support. The scope of persons under the obligation to support is of lineal relation (parents, sons, daughters) and their spouses (daughters-in law, sons-in law). If one is eligible for the NBLs, livelihood, housing, medical, education, and self-sufficiency benefits are provided for persons in need so as to guarantee their minimum living standard (ibid).

Among the beneficiaries of basic livelihood, the aged population occupied 27.4 percent of the total beneficiaries (KOSTAT, 2012)

Old-age Benefits

There are several old-age benefits including the old-age pension, reduced old-age pension, active old-age pension, early pension, and basic old-age pension. I will shortly describe the old-age and the basic old-age pension because they are most relevant for this discussion⁵.

⁴ Available at: <http://oneclick.law.go.kr/CSM/OvCnpRetrieveP.laf?csmSeq=502&ccfNo=3&cciNo=1&cnpClsNo=2> (retrieved 30/7/2013)

⁵ More detailed information at: <http://www.ssa.gov/policy/docs/progdesc/ssptw/2010-2011/asia/southkorea.html> (retrieved 30/7/2013)

Old-age pension: From age 60 or older⁶, Korea's citizens are entitled to receive a basic monthly pension amount (BPA) if they have at least 20 years of insurance coverage. The income replacement rate for a participant with an average income who has paid premiums for 40 years is about 50 percent. It is planned to gradually reduce this pension benefit. This rate will gradually fall to 40 percent over the next 20 years to enable financial sustainability to the government. However, some 70 percent of the elderly population will receive additional pensions from the basic old age Pension (U.S Social security administration, 2010).

According to MHW the Basic Old-age Pension is a scheme to grant 70 percent of the old aged (65 or more) a monthly fixed pension benefit **to those who have little income and property**. The income/property has to be less than 700,000 won (approx. 493 €) per single elderly person and less than 1.184 million won (approx. 789 €) for an elderly couple. The amount of cash benefit is to be **five percent** of the average monthly income of the past three years before receipt of benefit. A single person could benefit up to 94,600 won (approx. 63 €), and a couple up to 151,400 won (approx. 100 €) per month (MWH, 2012).

According to Statistics of Korea the medical expenses for the aged population make 32.2 percent of the total medical expenses, occupied 27.4 percent of the total beneficiaries of the National basic livelihood security and 31.8 percent received a public pension. 40.2 percent of the old aged stated that 'financial difficulties' are the hardest problems they face (KOSTAT – Statistics on the aged, 2012)

4.1.5. Challenges

Due to the rapid aging of Korea's population, society will have to meet their welfare and health care needs as the elderly are the ones who suffer most from poor health and poverty. Due to the diminishing role of the family as care giver, along with the increasing

⁶ to be raised gradually to age 65 from 2011 to 2033

participation of women in the work force, the Korean society as a whole has to step in. South Korea is in need of new strategies to increase benefit levels and coverage for the elderly (Kim M. , 2003).

According to Statistics of Korea (2012), policies have been implemented which include the establishment on the basis for the **utilization of an aged workforce and the promotion of aged people's participation in social activities** and a multi-tiered system. Namely, a pension system for guaranteeing income and provision of medical support. The aim is to establish a system where households and society share the responsibility of raising children and help women work while taking care of their duties as housewives. Korea should build on its strong economy and well-educated workforce to meet the challenges of a fast-ageing population and to tackle rising income inequality, according to a new OECD report (2013).

According to this report, it is necessary for South Korea to encourage work at an older age, strengthening financial incentives to carry on working, tackling employment barriers on the side of employers and improving the employability of older workers. This can be possible via strengthening and expanding training opportunities for mid-career and older workers and lowering working hours for them.

- By working in a Social Enterprise, these elderly would be provided with a safe environment with high-quality working conditions. Especially those elderly who are healthy enough, standing at the beginning of their retirement can contribute another 10 years of light work to society.

- They could do all kinds of work they are comfortable with or specified in, for example visiting other elderly and lower their degree of loneliness. They could also engage in childcare, this would for example facilitate the burden of working mothers and can at the same time improve the own financial situation. Besides, elderly people are important co-educater for children, providing life experience, patience, loving and caring attitude, and last but not least, they can take time for children, where parents are often too busy or occupied by other things.

4.2. Employment

South Korea's economy boomed until late 1997 when the financial crisis hit East Asian countries. South Korea was totally unprepared for such an economic shock and the crisis led to a drastic downturn of economic and social development in Korea. The crisis had major destabilizing consequences and led many firms into bankruptcy and thus to exploding unemployment rates and poverty (Jang, 2003).

Before the crisis took place in Korea, the unemployment rate was usually kept below 3 percent, however after the economic shock it sharply increased to 8.4 percent in early 1999 and the poverty rate in urban regions reached 8.8 percent in late 1998 (Park N.-H. , 2002). Soon after the crisis was overcome, both rates went back to their previous levels. However, even though employment rates and the poverty rates declined to pre-crisis levels, the income distribution has been worsening since. The Gini coefficient measures income equality ranges from 0 to 1. In 1997 the Gini index was 0.292 rising to 0.337 in the beginning of 1999 (Park N.-h. , 2002). This number has not declined to pre-crisis level and stays at rate 0.315 according to OECD statistics. That the income gap widened during the crisis is due to the fact that high-income households benefited to some extent during this period. The income share of the top urban worker households increased from 13.2 percent in 1997 to 16 percent in 1999, while the income share decreased from 3.3 percent to 2.7 percent respectively in the low income households (Park N.-h. , 2002, p. 6)

After the financial crisis in 1997, the government implemented much-needed reforms such as the capital market liberalization, restructuring of the banking sector, and supervision of the newly established Financial Supervisory Commission. Large corporations such as family

owned chaebols⁷ (i.e Samsung, LG, Hyundai) had to diminish debt financing and enhance the accountability of controlling shareholders and managers as many of these conglomerates have collapsed during the financial crisis.

Thanks to these efforts by the government, the domestic economy started to show rapid improvement and the GDP growth rate already accounted 10.7 percent in 1999 after a minus of 8.6 percent the year before (Jang, 2003).

The most pressing social issue that resulted from the financial crisis was the increased unemployment rate, and even though economic boom took off again in 1999, companies remained reluctant to hire new employees to stay competitive and achieve higher profitability (Jang, 2003). This has also led to a dual labour market; the share of the non-regular or temporary workers⁸ is still rising and already exceeds the number of regular workers in Korea (Jones & Tsutsumi, 2009). South Korean dual labour market offers **some 40 percent secure jobs** on the well-protected primary labour market and **some 60 percent unstable jobs on a the flexible secondary labour market** (Bidet & Eum, 2011). Temporary workers receive less firm-based training and **earn only about half as much as a regular worker** due to the low coverage by the social insurance system. Also firms achieve great employment flexibility in an ever changing global environment (OECD, 2011). However, in the face of an aging society, Korea needs a well-functioning labour market for sustaining economic growth in the future.

In 2011, the unemployment rate was 3.4 percent in Korea. The average of total unemployment rates of other OECD member countries was 5.2 percent, thus Korea's

⁷ Chaebol refers to a form of business conglomerate in South Korea which is almost always owned or controlled by the same family group.

⁸ According to the OECD the temporary workers include employees under fixed-term contracts, seasonal workers and temporary agency jobs.

unemployment rate is comparatively low. Korea's economically active population was 61.1 percent of those aged 15 or more (KOSTAT).

South Korea's labour market stands out with its long working hours, which are far longer than those of their counterparts in other OECD member countries. However, according to an OECD report, the labour productivity per hour worked is, in contrast, 55 percent below the average of the top half of OECD countries (OECD, 2011). This leads to the conclusion that higher working hours do not refer to higher output and productivity, rather it leads to a decreasing work motivation and distress of the employees. According to Korea Statistical Information Service (KOSIS, 2012) 74.1 percent of the total population said that working life causes most stress followed by the school life with 55.9 percent.

According to a news article, people who work longer than 11 hours a day are more than twice as likely to become depressed in contrast to those who work only 8 hours a day:

"Making employees work excessive hours is a false economy, as not only are tired, unhappy workers less productive, but they risk developing mental health issues that if handled badly, can be costly to businesses." (The Chosun Ilbo, 1/27/2012).

However, it can be argued that this is not only costly to the businesses but also for the government which has to face raising expenses for social welfare.

4.2.1. Social policies

The introduction of employment insurance in 1995 consists of three pillars which embodied both active labour market measures (employment stabilization scheme and employability development scheme) and passive labour market measures (unemployment benefits). From the beginning the unemployment insurance was designed to prevent unemployment, rather than to provide cash benefits because it was believed to discourage people from seeking work if mere cash benefits were granted (Hwang, 2006, pp. 12-13).

The government allocated funds to provide a social safety net including job creation, job training, subsidies for job keeping, unemployment insurance and financial aid to subsistence households (Jang, 2003, p. 62). Furthermore, the government expanded the program to governmental sponsored vocational training (introduced 1995), and a program of loans, to support small and medium-sized business start-ups, to facilitate the return of the unemployed into the workforce. In 1998 the Wage Claims Guarantee System was introduced in order to ensure workers of bankrupt firms their wages for their last 3 months of work (ibid.).

The *unemployment insurance system* was introduced as a mandatory program with first payouts in 1996. The eligibility requirement accounts of one month of employment, and maximum duration of benefits was extended to nine months (minimum was 60 days). In 1999, when the unemployment rate sky rocked, the insurance benefits played the most important role by protecting the livelihood of the jobless (Jang, 2003, p. 63).

Excluded from these benefits are workers who are older than 65 and those who work less than 15 hours per week (or 60 hours per month) (Anglo Info, 2013). Thus a third of non-regular workers are not covered by any worksite-based social insurance system (Bidet & Eum, 2011). Besides, only 65 percent of eligible salaried workers and less than 55 percent of all earners are estimated to be covered by the unemployment insurance scheme. According to Bidet& Eum (2011) only 40 percent of the total active population is estimated to be insured under employment insurance. Furthermore, the benefits of the scheme are very limited and less than 25 percent of the unemployed received unemployment benefits in 2004. In fact the out-of-works benefits⁹ are six times lower than the OECD average and five to ten times lower than European countries (pp. 4-5)

⁹ Average of net replacement rates over 60 months of unemployment without social assistance (Bidet & Eum, 2011)

The *Livelihood Protection Program*¹⁰ was also made to assist those who are unable to work and who have a low income. This program includes assistance in paying for living and medical costs. Additionally, the government introduced programs for providing tuition support for children of the unemployed, subsidies, assistance in paying for medical insurance premiums, and food programs for children, elderly and the disabled (Jang, 2003, p. 64).

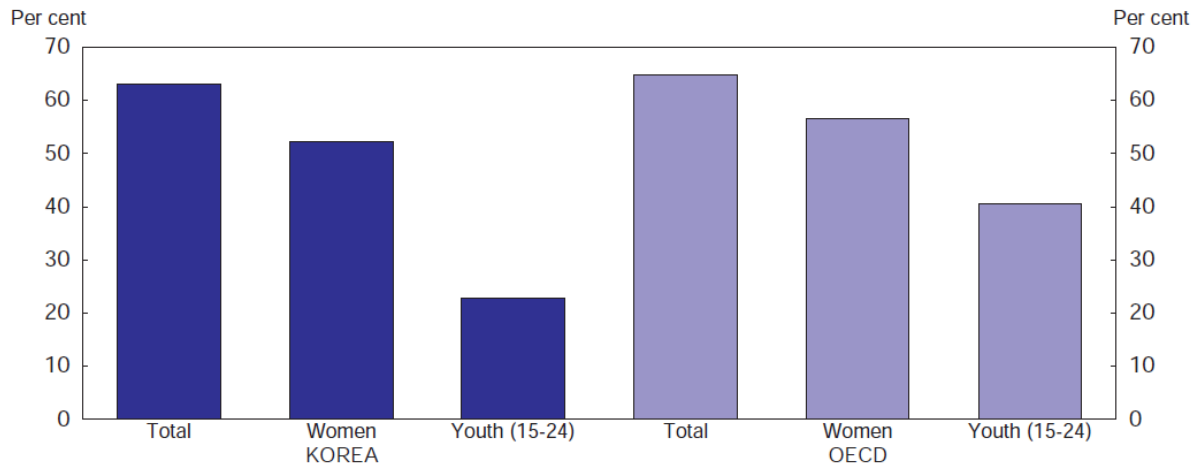
4.2.2. Women and Employment

The female labour force participation rates of Korea are 10 percent lower than the OECD average of 65 percent. This is in part due to the Korea's economic model of **working long hours which makes it difficult for mothers to take part in the employment market**. On OECD average, one-third of managerial positions are held by women, in Korea the percentage of woman in high positions is only 10 percent and **the overall gender gap among full-time workers is the highest among OECD countries with 39 percent**. These rates have not changed in the last 20 years. Korea's seniority based wage system and the labour market dualism also leads to severe losses of wage and career prospects for women who take a parental temporary leave (OECD, 2011).

According to the same report, has the employment rate for the 15-to-64-age group been stagnant for more than ten years, staying at around 63 percent. This is also in particular due to Korea's low employment of youth and women.

¹⁰ A more detailed description at 4.1.4 social policies

Figure 3 Employment rates compared to OECD average 2009

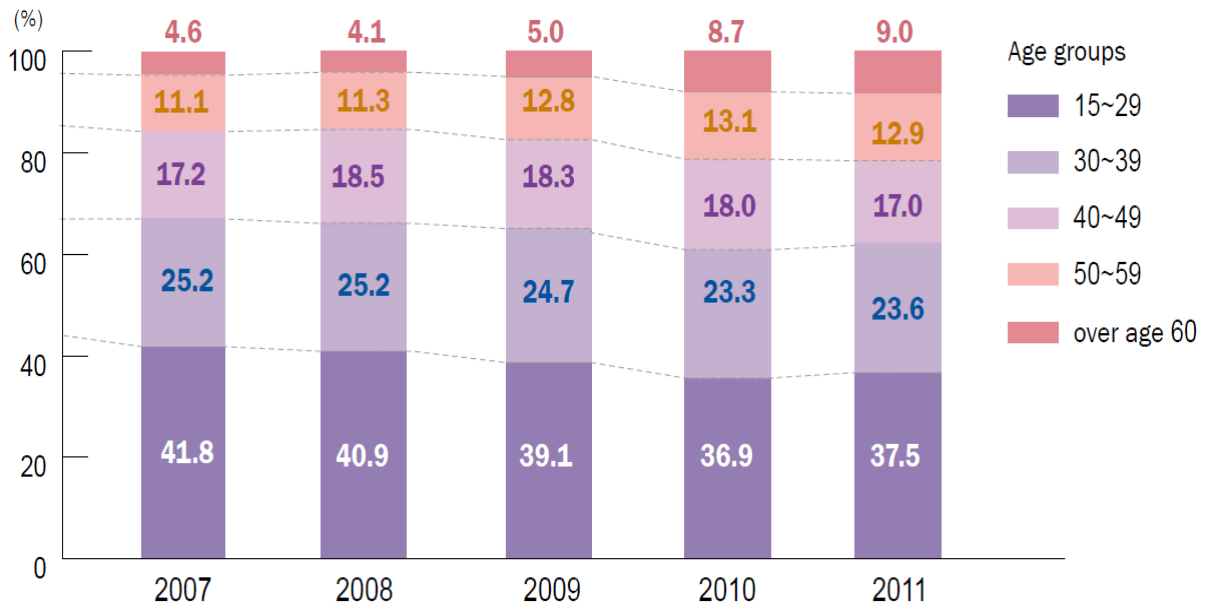


Source: OECD, 2011, p. 13

4.2.3. Youth Unemployment

The rate of unemployed youths (those aged 15-29) stood at 7.6 percent which was almost twice as much as the entire unemployment rate of 3.4 percent in 2011, but less than the OECD average of 11.5 percent. The unemployment rate of youths amounts to 37.5 percent of the entire number of unemployed. However, with regard to other OECD member countries, this number is comparatively low.

Figure 4 Share of age groups in overall unemployment



Source: KOSTAT, Explore Korea through statistics, 2012, p. 27

Among the unemployment problems, the most important issue obviously is youth unemployment. There is a steady decrease in the number of jobs available amid an increasing number of well-educated people. In fact, almost 80 percent of job seekers are college graduates, but only 30 percent of available jobs demand highly educated workers (Jeong, 2005).

Teenagers are thus increasingly feeling stressed about their chances of getting a job later. According to a newspaper article, young people are looking for stable jobs with high salary rather than an employment where they could realize their dream (The Chosun Ilbo 5/4/2013).

For example, in a 2010 survey (online employment agency JobKorea), 40 percent of 3000 students stated they would rather stay unemployed for a year than working in a small- or medium- sized enterprise (SME). The starting salary in one of the top 10 chaebol companies was 34.6 million won (approx. 2300 €) in 2012, which was 54 percent more than in a small-or medium sized business according to Yoon (2012).

South Korea has more college graduates than it needs, with three out of four high school students going to college in order to get a high salary job in a conglomerate. The 30 biggest

companies hire a total of 260,000 college graduates. Another 60,000 graduates who are not able to take foot in the job market cause the youth unemployment rate to rise. Former President Lee Myung Bak's new message was therefore: "Skip college and go to work" (Yoon, 2012).

According to the same source, it is not the lack of jobs but the lack of flexibility among job seekers to consider other employment options than the conglomerates.

Unfortunately, high-quality jobs in the conglomerates are decreasing as the big companies employ fewer workers in face of globalization. Their share of domestic employment has fallen by one-third from 18 to 12 percent. Job creation in Korea therefore falls into the hands of the service sector and the small and medium sized companies (SMEs). However, the SME sector is almost entirely made up of very small companies, with only a few of them growing to mid- sized or large companies. **SMEs and the service sector fall behind in productivity and do not offer high-paying, long-term employment, like the big companies do** (McKinsey, 2013).

4.2.4. Challenges

The deterioration of occupations and the rate of underemployment have been on the rise along with the increase in the rate of unemployment (Lee and Lee, 2000 in Jang, 2003 p. 57)

As has been shown above, Labour market dualism and youth unemployment are two of the main issues in terms of employment. According to the OECD, one out of four Korean workers is on a temporary contract, which is twice as much as the OECD average. However, only full-timers are eligible for unemployment benefits, meaning that **60 percent of the working force have no unemployment insurance**. A shift from non-regular to regular jobs could be achieved by reducing the gap in labour costs between regular and non-regular workers. Furthermore the laws should be introduced which offer more work-protection to temporary workers, as well as inclusion into the employment insurance. This would give the

employers an incentive to employ regular workers and boost economic long-term growth (OECD, 2011).

Furthermore, according to Jeong (2005), the public sector investment in regional vocational training is too weak, since vocational training is entrusted to the voluntary commitment of the private sector. However, it is argued that in the private sector, there is a lack of self- vocational training as well. Furthermore, compared to other advanced nations, Korea lacks support-services on employment, such as information on job openings and recommendations.

Therefore, raising standards in vocation training should be enforced to make alternatives to university more attractive, which would reduce the overemphasis on tertiary education and lower the expenses of families for tuition fees and after-school lessons (Hagwons) (ibid.)

Another key challenge is to increase labour productivity which stands in contrast to Korea's long working hours. Long working hours result in high social costs and low productivity of labour. This habit of working very long hours makes it difficult for many parents, especially for women, to combine responsibilities of work and family. But in the face of rapid aging of the population it is important to embed women and older workers in the labour market.

Furthermore, unemployment leads to "corresponding income reduction and increase in poverty as well as income inequality" (Jang, 2003, p.58). Thus it is important to strengthen the social safety net and to adjust laws and decrees accordingly. The government must involve non-regular workers into the unemployment insurance as well.

- Korea's Universities could offer studies on social entrepreneurship, innovation and enterprise skills to attract ambitious men and woman who are willing to change their society and make SEs on their own.

- Social Enterprises could offer employment to women who can not take part in the fierce labour market. Furthermore, the pressure of families could be relaxed if they had the opportunity to entrust their children to the care of people who work for a Social Enterprise, increasing the chance for women to get back to the primary labour market.

4.3. Education

The desire of Koreans for higher education has had a great impact on the expansion of the middle class. In 1955, less than one out of ten Korean adults (aged older than 25) received middle school education and only 1.3 percent graduated from college, however, in 2000, the majority of Korean adults received high school education (64.6%) and 68 percent of high school graduates advanced to college in 2000. The high-education ratio has produced an abundance of skilled workers in Korea. However, this has created a labor surplus of overqualified workers to fill less work positions (Hong, 2003).

4.3.1. The drive for academic success -historical review

For a regular South Korean student, it is common to study 10-12 hours a day in order to get into one of the top universities from where the big companies typically draw their executive graduates (Yoon, 2012). Decades of increasingly competitive and expensive education made South Korea worldwide the number one for its outstanding academic qualifications. Consequently, the lack of flexibility among job seekers to settle with a job in a small-or medium sized company lead to an increasing competitiveness on the job market. In 2011, 99.7 percent of Korean teenagers attended high school and in 2008 nearly 84 per cent enrolled in college (ibid, 2012)

The drive for academic success, underscored by Confucian values of education and hard work (Yoon, 2012) has always been an attribute of Korean society. In fact, an eagerness to accomplish higher education is not a new phenomenon in Korea, but can be traced back to the fourth century. Dae Hak (Great School – meaning “University” today) was established

following the Chinese model of higher education around A.D.372 when the Korean alphabet (Hangul) was not yet invented. Dae Hak of the Goguryeo Period in Korea is the second-oldest educational institution in the Orient, predated only by Oh Hak (Five Great Schools) of ancient Chou China (founded around 1000 B.C). In the era of the Goryeo Dynasty (918-1392), Buddhism reigned over the spiritual lives of Koreans, while Confucianism remained the dominant force regulating governmental organization and functions, including education. Imperial Decrees on Education were issued, however after its peak stagnation of national higher education followed, replaced by private education. Young ambitious men who wanted to score high on the state examination for higher civil service began to head for private higher education institutions. The names of these institutions are still well remembered, like the School of Nine Halls. In the Era of the Yi Dynasty (1392-1910) the basic structure of the society was increasingly dominated by neo-Confucianism. King Sejong is considered one of the greatest monarchs ruling in Korea, for achieving advancement of Korean culture and strong promotion of education. His royal academy, Jip Hyun Jon, was built for scholars, and was the institution where the Korean alphabet system called Hangul was developed. Throughout the 15th century, education was highly promoted and Korean culture was at its peak, where training centers for higher civil servants preparing for the civil service examination (Dae Kwa) were established, including complexes of classrooms, a dormitory, a library, training grounds, and so on. In fact, the higher learning institution was completely supported by the government, and students were primarily descendants of public officials in Hansung (Seoul). Young scholars, like today were often engaged in discussions of state affairs, in protests against certain government policies, and in demonstrations and strikes, and had to keep a highly sophisticated ethical code (see Kim, Jongchol in Weidman et al., 2000, p. 19).

According to Kim, three major streams of modern higher education influenced the political and socio-cultural changes in the 20th century. The first stream was introduced by Western missionaries who established modern private higher education institutions which still exist today like Ewha Woman's University or Yonsei University.

The second stream developed with the establishment of professional schools, adapted to the needs of a modern technological society (e.g., foreign language, medicine, industry, agriculture).

The third stream started at the end of the Yi dynasty, it played a vital role in the development of a modern, private higher learning institution by Young-ik Lee who founded the Posung Jummoon Hakkyo in 1905 (present-day Korea University).

During the Japanese annexation of Korea from 1910 to 1945, “policies of Japanization” like prohibition of Korean language or Korean names took place and the general educational system was adapted to the Japanese model. The basic attitude of Japanese government toward higher education in Korea was, that it was dangerous and superfluous (Kim J. 2000), and only a few Koreans were allowed to enter universities in Japan and thus, professional schools were the major entrance to higher education. After liberation in 1945, expansion of higher education took place, not only because the anticipation of land reform induced many landowners to invest in the establishment of higher education institutions. During the U.S. military government, the overall pattern of college and university programs was established, following a mixed-model based on Japanese tradition and newly introduced American patterns. During the period of military rule (1961-1979), higher education became much more diversified and was under critical reassessment, and continued expansion has been promoted ever since (Kim J. 2000, pp. 35-51).

There are some cultural factors in the 20th century which led to an extremely high social demand of education. Among them, the independence from Japan and the following Korean War. The Korean Government enacted the Ordinance for Temporal Delay of Conscription for University Students, which served as incentive for young men to seek higher education and to prevent their conscription into the military. Furthermore, **education became the only means for social mobility after the traditional Korean social class structures were crushed** during the colonial period (high status was not under the monopoly of a specific social class group (Yangban) anymore) and education was always an instrument for acquiring socio-economic status in society. That is an important factor, which led many people to attend

universities because higher education provided the credentials necessary for attaining social status. There are large differences between Korean high school and university graduates in salary, access to political power and influence, employment opportunities, and even marriage (Park Namgi, 2000). According to Joonsang Han in Park (2000), **status competition is the most powerful factor underlying higher education expansion.**

Surveys show that domestic major companies prefer to recruit from renowned universities. Forty percent of CEOs in major companies came from the three top universities where Seoul National University graduates form the largest group, followed by Yonsei University and Korea University. Other prestigious universities are Hanyang University, Sungkyunkwan University and Chungang University (Chosun Ilbo, 7/12/2013)

4.3.2. Current Education System

The education system consists of 6 years elementary education and 6 years of secondary education, which consists of 3 middle school years and 3 high school years. Afterwards, young men and women can choose to have a higher education such as graduate schools, college or university. Additionally, there is a kindergarten for pre-school children and special schools for handicapped. Supplementary vocational schools do also exist in order to meet requirements by the industry, but they have a low reputation.

In Korea, high school education has almost become a minimum-requirement in society. Even college education is so common that 7 out of 10 people attend university. The percentage of high-school graduates enrolling for university reached 71.1 percent in 2011. In comparison, in 1990 the enrollment ratio was 23.6 per cent (KOSTAT, 2012).

Many features of the contemporary education system in Korea go back to the Joseon dynasty (1312-1910). One of the **main purposes of education was to select political and social elite** (Chung, 1999 in Holliday 2003, p. 42).

In the late 1950's free compulsory education was implemented and expanded quickly. In the 1980's the government set up a Commission for Education Reform to determine the pattern of change (Moon, 1998 in Holliday 2003, p.24). In 1995 the Presidential Commission submitted a proposal to develop a New Education System for 'Edutopia' or an utopia of education, to assure lifelong education opportunities for every citizen. The five governing principles of the New Education System include equity, excellence, diversification, learner-oriented education, and autonomous school operation.

The Government adopted a centralized model of educational governance (Holliday 2003, p. 49), in which the Ministry of Education and Human Resources Development formulate and implement education policies, textbook approvals, administrative and financial support to education institutions, universities and local educational agencies, teacher training and lifelong education (Adams and Gottlieb, 1993 in Holliday 2003, p. 49). The Ministry is also responsible for a national curriculum and prescribes the curriculum for each school level as well as the criteria for the development of textbooks and instructional materials. According to Holliday, the Ministry sets very clear guidelines and flexibility is allowed only to individual schools.

Elementary education is free and compulsory and the children automatically advance to the next grade each year. Middle school graduates may enter high schools according to their grades in the selection examination. Since 1994 a new entrance examination system was put in force for university education.

The colleges are allowed to decide the recognition ratio or selection between the scholastic achievement test and the college's own test (Moerok, 2000, p. 70). The government is trying to move away from the centralized approach and has thus granted decision-making power on student quotas to individual institutions. They are required to undertake an annual self-evaluation of research and teaching. Government funding is closely linked to research performance and therefore higher education institutions are motivated to engage in research-oriented activities to secure government funding (Kwak, 2000 in Holliday 2003, p. 51).

4.3.3. Private sector

The private sector has played a significant role in South Korea's education system. The majority of citizens go to public primary, junior and senior secondary schools, however, private institutions outnumber public or national ones in the higher education sector (Holliday 2003, p. 57). The funding for education comes from the central and local government and the private sector. The central government provides schools with 85 percent of the funding. However, non-state sources have a large share in the total education expenditure for example in pre-school education and higher education. Education financing shows three main sources: central government, local government, and the private sector (Holliday 2003, p. 63). In 2012 the ratio of public education expenditure to GDP was 7.6 percent; the OECD average spending is 5.9 percent. This is slightly higher than in the USA and significantly higher than in the U.K, Germany or Japan (5-6 percent). What is more, the Korean higher education system depends heavily on student fees, leading to a high financial burden for families.

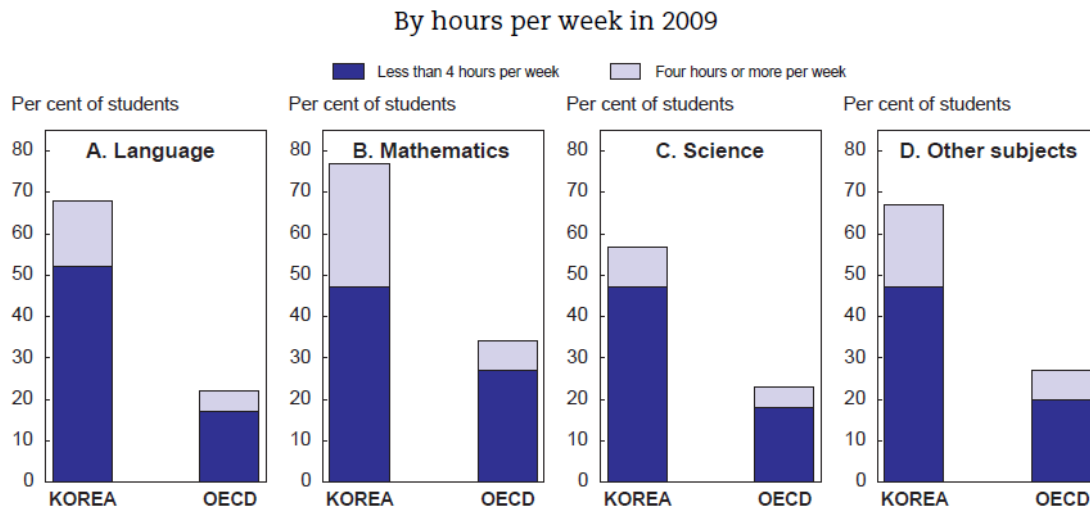
Table 5 Ratio of Public Expenditure to GDP (2008) in %

	Entire Education Levels			Elementary, Secondary Education levels			Higher Education levels		
	Total	Government share	Private share	Total	Government share	Private share	Total	Government share	Private share
OECD Average	5.9	5.0	0.9	3.7	3.5	0.3	1.5	1.0	0.5
Korea	7.6	4.7	2.8	4.2	3.4	0.8	2.6	0.6	1.9

Source: KOSTAT, Explore Korea through statistics, 2012, p. 123

Private tutoring is called 'Gwa-oe' (과외) and the private institutions are called 'Hagwons' (학원). 'Hagwon' means a place to study, institutions which exist next to the official education system to prepare students for university entry exams (Lee, 2009). But this is not a new phenomenon and can be traced back many centuries, explaining the ambitions of Koreans today.

Figure 5 15-year-olds attending after-school lessons in %



Source: OECD, Economic survey of Korea 2012, p. 132

According to the figures provided by the OECD economic report 2012, we can see that the proportion of 15 year-olds attending after-school lessons is more than double compared to OECD average. In fact, the severe competition to enter top-universities places a heavy burden on families, reaching 10.7 per cent of an average household income per student in 2010. This is often cited as reason for the low birth rate in Korea – it is just too expensive to raise more than one or two children. Private tutoring does not only compete and overlap with public education, it also forces schools to cope with students of widely differing educational levels. Furthermore, it makes very long days for children, it is common for high scholars to come home at 11 p.m. from after-school lessons.

According to McKinsey report (2013), only about 44 percent of Korean households have two incomes (OECD average is 57 percent), and shoulder high payments for education - more than any other society today.

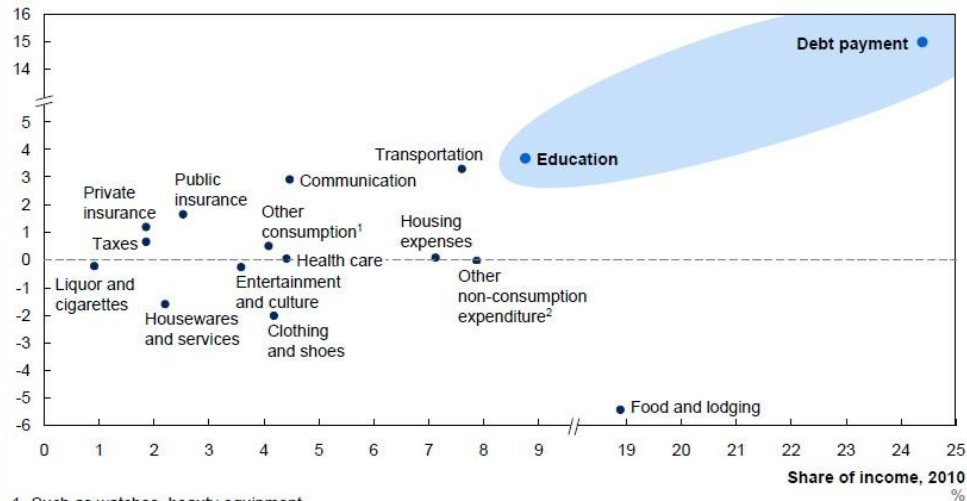
Figure 6 Debt payment and education fees

Debt payment and education fees are the largest and fastest-growing expenditures for South Korean middle-income households

Based on top 40–60% income level

Change in share of income, 1990–2010

Percentage points



1 Such as watches, beauty equipment.

2 Such as transfer payments between households, donations to nonprofit organizations.

SOURCE: Statistics Korea; McKinsey Global Institute analysis

Source: McKinsey, 2013, p. 4

The high cost of education is a well-known factor of depressing Korea’s fertility rate and family size. Korean parents believe that the public education system does not prepare their children adequately for the University entrance exams and are therefore willing to pay for private after school classes (ibid.).

4.3.4. University entrance examination

Korean students have to pass the university entrance examination to gain admission to colleges and universities, by students also colloquially called “examination hell”. Competition is extremely high, because entering into the prestigious universities is believed the best way to a successful career. On the first place stand the famous SKY Universities (standing for Seoul National University, Korea University and Yonsei University).

Thus, an “entrance examination industry” has emerged to provide students with additional preparation material and many private academies prepare students for taking the

national tests. The university admission system has shaped the Korean secondary school system extensively, as well as the society at large. The entrance examination for colleges and universities is one of the most important annual events of the society (Park Namgi in Weidman et.al 2000). Churches and temples are filled with mothers praying for their children to be accepted into the best university. Once a year everyone is allowed to come late to work by one hour, to prevent traffic jams which could hinder students to get to their examination places.

Stories about kind police officers helping latecomers to get to the exam locations are being told, and every broadcast station is reporting about these examinations. According to a survey by the PCER, 80 percent of high school students are suffering from various kinds of ailments such as stomach problems, migraine, and astigmatism caused by stress. According to the same source, 60 percent of the students have nervous breakdowns and anxiety, 30 to 40 percent drink or smoke to relief from the stress of study. Further 20 to 30 percent are addicted to drugs (Park Namgi, 2000). Even if these numbers seem too high to believe, it is certain that Korean high school students experience significant stress in gaining admission to universities and colleges.

The extreme demand for higher education in Korea and the accompanying social and psychological pressure is viewed as being analogous to a war for education by Park and Weidman (2000).

However, most parents believe that education of their children is their foremost responsibility and they do everything to ensure the availability of excellent schools and resources for their children. Many parents, in fact, dedicate their life to the education of their children and move to major cities to find better schools and devote time to help with homework, hire private tutors and private institutions. Even illegal methods are used to ensure success. The stress and pressure on students is tremendous, sometimes even leading to suicide (Park Namgi, 2000). According to KOSTAT, the leading cause of death among the young generation (those aged 20-29) is suicide and accounts to 44.33 percent of total deaths among the youth. This can be linked to the stress young people are exposed to, in face of a shrinking job pool and educational pressure.

4.3.5. Challenges

According to the OECD economic report (2011) several aspects of the Korean education system raise equity issues. For example low investment in pre-primary education and the heavy reliance on private tutoring (Hagwons), not to forget the high cost of tuition fees in university education. Middle- and low income households face severe problems in affording private tutoring. It is common knowledge in Korea that the best Hagwons are located in the expensive “Gangnam” area (South of the Hangang-River). Those who can afford private tutoring in those institutions have good chances getting to the university they are preparing for.

This strive for higher education is deeply noted in the mind of the Korean people and status competition is a powerful factor. However, in Korea it is almost impossible to afford proper education for more than one or two children with a normal household income. Therefore households with more than two children or with strained financial resources should be supported, this would have positive outcomes on the fertility rate. Furthermore, affordable early childhood education would help mothers to join the job market earlier.

- To lower equity issues, it is important to increase the accessibility of low- income households to after-school learning. Affordable but high quality after-school could be offered by Social Enterprises to relax the strains on the family’s budget. However it is important that the government seeks to support those institutions where high quality of education is assured. This would lower the high cost of education and people could afford to have more children, counteracting demographic transition.

Part 2 - Social Entrepreneurship

In this second part of my thesis I will introduce social entrepreneurship in Korea by analyzing their potential of solving key social issues described above. This explorative study is performed on the basis of literature and document analysis and my own field research through open interviews with decision-makers and interviews with social entrepreneurs in South Korea. The analysis of quantitative and qualitative data provides fundamental information on social entrepreneurship in Korea.

5. PRELIMINARIES

“The term ‘social entrepreneurship’ (SE) is used to refer to the rapidly growing number of organizations that have created models for efficiently catering to basic human needs that existing markets and institutions have failed to satisfy” (Seelos & Mair, 2005, p. 241).

The phenomenon of social enterprise has seen a strong rise in scholarly attention during the last two decades (Mair, 2010) and yielded 152 relevant articles (Short et al. 2009, p. 162). However, scholarly research has been challenging, because definitions of social entrepreneurship have been developed in a number of different domains, such as not-for profits, for-profits, the public sector and combinations (Short et al., 2009, pp. 161-62). The lack of a unified definition makes it difficult to establish the legitimacy of a field or construct (cf. Berger and Luckman, 1966 in Short et al., 2009, p. 162). This hinders empirical research and failure to consistently measure a social venture’s performance. Unfortunately, the concept of social entrepreneurship has appeared in scholarly papers with minimal progress in theory development. Papers about social entrepreneurship are largely reliant on case studies with poor construct measurement, which provides evidence **that this field is still in a state of infancy** (Boyd et al. 2005; Low and MacMillan, 1988, in Short et al. 2009, p. 169)

5.1. The strive in defining Social Entrepreneurship

The sustainability of employment, welfare and development policies have been challenged (Becchetti & Borzaga, 2010). As a response to rising problems of welfare states and markets, Western societies have witnessed a remarkable growth of *social enterprises* during the last 20 years, providing services and work opportunities for the socially and economically disadvantaged (Park, 2009). Bottom-up initiatives of groups or individuals which are conducting private non-for profit economic activities show innovative answers to shortcomings of public policies (Borzaga & Defourny, 2001). Due to differing institutional and cultural contexts, however, these initiatives can take various legal and organizational forms from country to country, and are engaged in a wide range of activities (Defourny, 2001).

Most studies which exist on Social Entrepreneurship are based on case studies, or on diverse research designs and methods from other disciplines (Mair, 2006). Furthermore, the concept of Social Enterprise means different things to different people, despite their gain in popularity (Dees, 1998). For example some people associate Social Enterprises with non-profit organizations that start using for-profit measures; others refer to businesses embracing the concept of social responsibility. What most researchers agree on is the central criterion for Social Entrepreneurs; the **mission-related impact embedded in an entrepreneurial activity**, where wealth creation is used as necessary tool to create social impact (Dees, 1998, Santos 2009, Austin et al. 2006, Smallbone 2001). Social entrepreneurship catalyzes social transformation by meeting social needs and strives to provide **innovative solutions for social problems** (Mair, 2006, OECD, 2010).

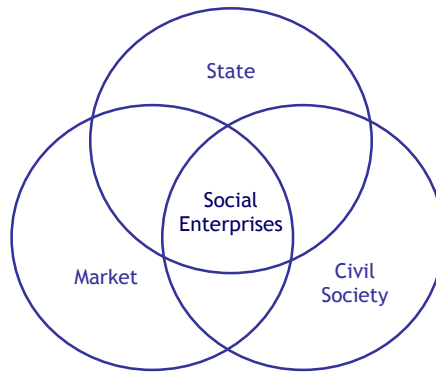
The OECD has broadly defined social enterprise as:

“any private activity conducted in the public interest, organized with an entrepreneurial strategy but whose **main purpose is not the maximization of profit** but the attainment of certain **economic and social goals**, and which has a capacity of bringing innovative

solutions to the problems of social exclusion and unemployment” (OECD, 1999, p. 10 cited in Smallbone, 2001, p.13).

Park therefore locates social enterprises at the intersection of market, state, and civil society, offering social services and job opportunities by combining traditionally separate and often conflicting domains (Park, 2009, p. 8)

Figure 7 Locating Social Enterprises



Source: Park C., 2009, p. 8

Defourny recognizes that definitions of social enterprises differ according to socio-economic contexts of each country and identified **three common levels** on which the ‘social’ nature of initiatives may be detected:

- 1) *The purpose of the activity*: when production surpluses are ‘socialized’ which means to be reinvested in the development of the activity or to be used for the benefit of people other than those controlling the organization.
- 2) *Non-commercial resources*: benefits to the community justify the payment of subsidies and SEs are often financed both by resources from the market and by public authorities or private donations. Non-monetary resources are also involved, such as voluntary work.
- 3) *Particular organizational methods*: autonomous or independent decision-making bodies and democratic decision-making process (Defourny, 2001, pp.15-16).

Defourny furthermore attributed four criteria to reflect the economic and entrepreneurial dimensions, and five criteria have been proposed to encapsulate the social dimensions:

Economic dimension: 1) A continuous activity, producing and selling goods and/or services; 2) a high degree of autonomy; 3) a significant level of economic risk; 4) and a minimum amount of paid work.

Social dimension: 1) An explicit aim to benefit the community; 2) an initiative launched by a group of citizens; 3) decision-making power not based on capital ownership; 4) a participatory nature, which involves the various parties affected by the activity; 5) and limited profit distribution (Defourny 2001, p. 16-18).

As Kerlin (2010, p. 7) puts it: “ The term “social enterprise” is just now starting to be associated with revenue-generating activities for social as well as sustainable development”.

However there is no consensus in academic literature which serves as barrier to cross-disciplinary dialogue and theory (Dacin, Dacin & Matear, 2010). Dacin et al. have examined the current state of social entrepreneurship literature and has found no less than 37 definitions¹¹ of social entrepreneurship. They suggest that definitions have focused on four key factors: 1) on characteristics of individual entrepreneurs highlighting their qualities and behaviors as individuals, 2) their sphere of operation, 3) the processes and resources used by social entrepreneurs, 4) and the social mission of the social entrepreneur (Dacin et al. 2011, p. 124).

¹¹ The list of definitions of Social Entrepreneurship/Entrepreneurs in Dacin, Dacin, & Matear, 2010 pp. 39-41

The most valuable definitions of social entrepreneurship are those that focus on the social value creation mission and outcomes of undertakings in order to create social value. The difficulty in characterizing social entrepreneurship and their boundaries is evident. Even though we can miss a concrete definition, the term social enterprise is considered synonymous with organizations which are “market driven, client driven, self-sufficient, commercial, or businesslike” (Dart 2004, p. 414).

5.2. Distinct from similar concepts

Social enterprises should be distinguished from common non-profit organizations, which have a voluntary nature with various forms of funding like member fees, government funds, grants, and user fees (Di Maggio and Anheier, 1990 in Dart 2004). Non-profit organizations are distinct from social enterprises in terms of goals, values and focus. Social enterprises also differ from traditional nonprofits because they blur boundaries between non-profit and for-profit. They enact as **hybrid non-profit and for-profit activities** (Dart 2004, p. 415). However, many non-profit organizations are looking for new forms of funding and commercial opportunities to ensure financial sustainability and self-reliance (Dees, 1998).

Social entrepreneurship is also distinct from other forms of combining social and economic goals, such as *corporate social responsibility* (CSR). The European Commission has defined CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (COM (2011) 681 final, p.3). In this case, profit oriented businesses act over and above their legal obligations towards society and the environment. And since operating in a responsible way is clearly different from solving social and ecological issues, **social enterprises can only be such whose primary purpose is explicitly social and/or environmental, who reinvest their profits, and apply business principles for that purpose.** A useful classification of different organizational forms is provided by Achleitner et al. (2007).

Figure 8 Classification of organizational forms

High social return		"Blended Value"			High financial return	
Charities		Revenue generating Social Enterprises			Socially Responsible Business	Traditional Business
Not generating any income, exclusively donations	Generating income plus donations	> 75% of costs covered by revenues	100 % of costs covered by revenues	Profit is generated but not distributed among investors	Socially motivated business, profit is distributed among investors	Profit maximization

Source: Achleitner et al. 2007, p. 7

Social entrepreneurship is furthermore viewed by Mair and Martí (2010, p. 4) in "a process of catering to locally-existing basic needs that are not addressed by traditional organizations" which "involves the provision of goods or services and/or the creation of missing institutions or the reshaping of inadequate ones". The actors, they say, can be "an individual entrepreneur, an established organization or even a social movement" (Mair and Martí 2006 cited in Mair 2010, p. 4).

Nyssens furthermore states that: "the generic term 'social enterprise' does not represent a conceptual break with institutions of the third sector but, rather, a new dynamic within it – encompassing both newly created organizations and older ones that have undergone an evolution" (Nyssens, 2006, p. 9).

Academic discourse meanwhile covers a considerable range of contributions¹² and the discussion has also been greatly influenced by prominent members of the field, among them Nobel laureate *Muhammad Yunus* and *Bill Drayton*, founder of *Ashoka*, one of the world's leading associations fostering social entrepreneurs, which has been instrumental in mobilizing support structures (Mair 2010, p. 8). The number of social entrepreneurs and supporting organizations constantly grows on national and international level, giving rise to ongoing research activities.

Ashoka and the *Schwab Foundation* for Social Entrepreneurship for example “focus on innovation and impact, not on income” (Dart 2004, p. 414), and directly support SEs by providing seed capital and access to essential support networks (Seelos & Mair, 2005). The *Skoll Foundation* and *Echoing Green* are both of great importance to fostering social enterprises (Mair 2010, p. 2).

The *EMES European Research Network* (a network of established university research centers and individual researchers, founded in 1996) or the Social Enterprise Knowledge Network, (SEKN, formed in 2001 by leading Latin-American business schools and the Harvard Business School), contribute to theoretical and empirical knowledge around the concept of social entrepreneurship. Various foundations have been set up for offering training and support programs to SEs or social entrepreneurs and countries have passed new laws to promote the concept of social entrepreneurship (Defourny & Nyssens, 2009).

Overall, research on social entrepreneurship has gained prominence, as has been proven by Short et al. (2009) who reviewed 152 relevant articles on social entrepreneurship. These samples have shown an increase of articles on social entrepreneurship of publication rate of 750 percent over a span of 18 years. Furthermore, the sample suggests that 26% of the articles

¹² For academic work on **defining and framing**, see e.g. Johnson, 2002; Mort/Weerawardena/Carnegie, 2003; Zahra, 2009; Ziegler, 2009; Dacin et al., 2010; 2011.

For studies on **social entrepreneurship models**, see e.g. Nicholls, 2006; Robinson *et al.*, 2007; 2009.

For **financial, organizational and managerial issues**, see e.g. Austin 2006, Achleitner *et al.*, 2007; Anheier, 2007.

For an **analysis of empirical research** on social entrepreneurship, see Hoogendoorn/Pennings/Thurik, 2010.

For a study on the **emergence of social enterprise** in Europe, see Borzaga/Defourny 2004, 2006.

cover the discipline of management followed by entrepreneurship (11%) and political science (10%). Other disciplines covered economics, marketing, sociology, education and others (Short et al. 2009 p.163-64). Short et al. have also shown that only limited empirical work, largely drawn from case studies and grounded theory, has been done whereas theory development has lagged behind (ibid. p. 168).

To conclude this introduction on SE, social entrepreneurship research still faces **theoretical and methodological challenges** (Dacin *et al.*, 2011, Short et al. 2009). What has been made clear so far is that social enterprises **aim to serve the community** rather than simply generating profit; thus, a production surplus is either reinvested or used for the benefit of the community (Borzaga & Defourny, 2004, p. 15)

5.3. Social Entrepreneurship in the global context

These days, Social Entrepreneurs are experiencing a major breakthrough around the world, especially in European countries like in the UK and in the US. Also in other regions such as East Asia, especially in Korea, but also in Latin America, interest in this new form of entrepreneurship is steadily rising (Defourny & Nyssens, 2008).

According to Nyssens, social enterprises in the European context represent organizations that have an explicit aim to benefit the community, financed by an ongoing economic activity; whereas in the US, the concept of social enterprise mainly refers to a dynamic of commercialization at work within the non-profit sector (Nyssens, 2006, p. 313). In Europe there has been persistent mass unemployment and social exclusion of disadvantaged in the labor market and the unemployment rates are much higher than in Korea. High long-term unemployment led to the acknowledgement that traditional programs against unemployment failed, and new organizations and work policies emerged. In most European countries the state as welfare provider was withdrawn and new welfare markets as new providers emerged. They operate between the profit-oriented private sector and the public sector, as a part of the third sector also referred to as “social economy” (Bidet, 2009). The

concept of 'social enterprise' made its first appearance in the early 1990s in the third sector. The notion of Social Enterprise appeared in Italy and was closely linked with the cooperative movement. The Italian Parliament passed a law creating a specific legal form for 'social cooperatives' (Defourny & Nyssens, WP no. 12/03, 2012).

According to Park, the model of social entrepreneurship in Europe is based on social cooperatives and associations emphasizing job creation and social services for high risk groups, the aged or people with disabilities (Park, 2009). The main features of European Social Enterprises are to be a voluntary organization mixing market resources, voluntary work, and public support. Some of the European countries have introduced a legal status for such SEs. Defourny (2001) stated that the structures of civil society and state are changing from "welfare-state" to a new "welfare mix".

In the United States, social enterprises remain a very vague and broad concept (Defourny, 2001). The United States embraced a model based on non-profit organizations (Kerlin 2006, in Park 2009), focusing on generating revenues while reducing federal support for these organizations (Park, 2009). In 1993, the Harvard Business School launched the "Social Enterprise Initiative" as one of the starting points in the short history of a new concept. Broadly, two schools of thought have shaped the understanding of social entrepreneurship in the U.S. The first school refers to the use of commercial activities by non-profit organizations to support their mission and is called "earned income" school of thought. This business model has also been promoted by Muhammad Yunus¹³ although his concept involves stronger conditions: "A social business is a non-loss, Non-dividend Company designed to address a social objective" (Yunus 2010 in Defourny & Nyssens, 2012, p. 5)

¹³ Nobel Peace Prize recipient 2006 along with Grameen Bank (micro-credits for the poor) for their efforts to create economic and social development.

The second concept is fed by organizations like *Ashoka* and is called the “social innovation” school of thought, putting emphasis on the profile and behavior of social entrepreneurs. Social entrepreneurs are called “change makers” carrying out new combinations of “new services, new quality of services, new methods of production, new production factors, and new forms of organizations or new markets” (Defourny & Nyssens, 2012, pp. 4-5).

In OECD countries, social enterprises emerged as organizational innovation in welfare provision but differ in every country due to socio-economic characteristics. According to Park C. (2009), the Korean government first chose the European model but then shifted to the American model.

The first initiatives and forms of social enterprises in Korea have already emerged in the early 1990’s and the term itself began to be used around 2002 until the “social enterprise promotion act” was enacted in 2007 (Park C., 2009, pp. 2-3). According to Bidet & Eum, different forms of social enterprises exist in particular: Certified social enterprises, Social enterprises related to the National Basic Livelihood System and other forms (Bidet & Eum, 2011). Park (2009) argues that the social enterprise in Korea was used as a job creation program rather than service provision.

5.4. Social Entrepreneurship in Korea

5.4.1. Development of Social Entrepreneurship

Before media and society paid attention to SEs and before the government enacted the Social Enterprise Promotion Act, there have already been policies and movements to pave the way for social enterprises in Korea

The cradle of social enterprises in South Korea lies in the 1990s, when production community movements emerged in slum areas which included 'Construction worker Dure' of Hawolgok-dong in 1991, 'Thread and needle', a sewing co-operative of Sanggye-dong in 1993, 'Hyupsung', an electronics assembly plant of Songnim-dong, Inchoen and 'Naseom Construction' of Bongcheon-dong in 1994. In 1996, the Ministry of Welfare sponsored the transmission from production communities into a self-supporting program; consequently five self-supporting centers were opened (KoSEA).

The emergence of today's form of social enterprises in Korea was closely linked to the financial crisis of 1997, which required wide mobilization of efforts to not only reinforce the social security net in the middle- and long-term but also to relieve the lives of about ten million of poor people in the short term (Kim, 2009). During the economic crisis, the weaknesses of the Korean labour market and the social net were revealed and huge layoffs and suppressed jobs resulted in an unemployment rate from 2 percent to up to 8, 5 percent at the beginning of 1999. The rise of divorces, suicides, over-indebted households and homeless people was the result from this crisis and revealed the limitations of the social net and welfare system. This is when the first civic groups emerged and created the "Solidarity to overcome unemployment" which engaged in the assistance of underprivileged (Bidet, 2008, p. 7). According to Park, it was exactly this lack of job creation and failure of social service programs that provided an institutional context for the state-led development of social enterprises (Park C., 2009, p. 21).

The key policies which led to the enactment of the social enterprise promotion act were: a *public works program* in early 1988 to provide short-term and temporary job opportunities, and the *National Basic Social Security Act* in 1999 intended to link welfare benefits and work opportunities for the unemployed. Another important step in the development of Social Enterprises was the government's interest in minimizing its involvement provision of welfare services, by shifting its reliance from families and businesses to voluntary organization in the local communities in the third sector (Park C., 2009). The emergence of NGOs and civic organizations became an important participant in social welfare policies, as well as "*the Committee of National Movement for Overcoming Unemployment*" which changed to 'the Korea Foundation for Working Together' in 2003. This was a public campaign to raise funds to help the unemployed and their families after the 1997 economic crisis. However, the government managed the public funds of the foundation and defined and controlled its participation in welfare provision and job creation (Park C., 2008).

Another very important step towards the establishment of SEs in South Korea was the "*Social employment project*" introduced in 2003 to resolve unemployment and polarization issues at the same time. The purpose was to increase jobs for low-income groups through providing social services in terms of education, childcare, medical care etc. (Park C., 2008; KoSEA). Instead of the government's direct involvement, the social-employment project relied on non-profit or voluntary organizations in local regions. "*Self-support promotion organizations*" were at the same time sponsored by the Ministry of Health and Social Welfare and other governmental agencies to provide jobs to the socially disadvantaged.

These organizations became a prototype of social enterprise and the program established 209 organizations which paid wages by selling products and services (Park C., 2008). However, these were unable to produce stable job opportunities due to the lack of a strong tradition of community organization and the weak development of social service provision (ibid, 2008).

Meanwhile, other organizations like NPOs and NGOs also started profit-generating businesses. In 2005, the "*Task Force on Social Workplaces*" was formed by government officials,

NGOs and academics, which ultimately led to the legislation for social enterprises and the social enterprise promotion act in 2007 (Park C., 2008).

Overall, the current form of social enterprises in Korea came into appearance from the year 2000.

Table 6 History of SE

Early 1990s	Production community movement in poor regions. Workers’ production cooperatives, etc.
1996	Self-support project of the Ministry of Welfare
1997	Public working program was launched with the economic crisis.
2000	The National Basic Living Security Act was enacted to help the self-support of the poorest class
2003	Social Job Project: Social service for low income, alienated class-unemployment polarization
Since 1990s	Rehabilitation and self-support project for the handicapped
2007	The Law on the Promotion of Social Enterprises was enacted, and 36 enterprises were certified initially.

Source: Website KoSEA

To summarize, the background for fostering Social enterprises was the rapidly increasing unemployment rate and aggravated polarization since the economic crisis of 1997, the demand for increase of social services due to the advent of an aging society, low fertility and the dismantling of the traditional family structure and therefore the need for expansion of employment in the social service sector. Furthermore, companies showed increased interest in social contribution activities and in returning profits to society (KoSEA).

Also it should be mentioned that the self-supporting organizations like ‘Social employment project’ were heavily depending on subsidies by the government and were not able to provide long-term job creation (Park C., 2009).

Hence the government decided to solve these problems by fostering Social enterprises as an alternative and next step into self-sufficiency. SEs now have to be certified by the Ministry of Employment and Labor according to the Law of the Promotion of Social Enterprises since July, 2007. As of April 2013, a total of 801 companies have been certified as social enterprises (KoSEA).

5.4.2. Social Enterprise Promotion Act

By its specific use as a social policy, the example of Korean social entrepreneurship expands the current Western understanding of social enterprises as a phenomenon resulting from long-standing traditions (Borzaga & Defourny, 2004). The Social Enterprise Promotion Act was initially proposed by the National Assembly and was then reformulated by the Ministry of Labor (Bidet & Eum, 2011) and executed from July 1st 2007. According to Article 19, the term of social enterprise refers only to those who are certified SEs and prohibits other organizations from using this term.

According to Article 1 of the SE Promotion Act (2007), the purpose is to contribute to society by means of expanding social services and creating jobs. For this purpose Article 2 defines the term 'social enterprise' as:

“An organization which is engaged in business activities of producing and selling goods and services while pursuing a social purpose of enhancing the quality of local residents' life by means of providing social services and creating jobs for the disadvantaged”

Article 5 scheduled the establishment of a 5-year 'Basic plan for promotion of social enterprises' (hence basic plan) which was implemented in 2008.

This plan provides a success model to achieve the targets of the SE promotion act. This includes the formation of an SE friendly eco-system in society, innovative business models and management strategies and promotion systems. The basic plan analyzed the status of SE after one year of implementation in November 2008. As of October 2010, there have been 154 newly certified social enterprises. The certification rate amounted to 44.4%, as 347 enterprises had initially applied for certification.

With the first round of certifications, the focus on job creation (42.2%) became evident. 22 businesses focused on social services (14.3%), and 34 businesses used a mixed form (27.9%).

24 businesses (15.6%) focused on contribution to the local community (First Basic Plan for Promotion of Social Enterprise, 2008)

As a result of the first basic plan (2008-12), both social enterprises and their employees have increased greatly in numbers. The number of social enterprises could be raised from 50 in 2007 to 801 in 2013 (as of April). The number of social-enterprise employees was raised from 1,403 in 2007 to 18,689 in 2012.

On December 24th, the second basic plan to promote Social Enterprises (2013-17) was released.

The second plan calls for creating 3000 new social enterprises while increasing their sustainability. The government wants to carry out policy tasks in four areas (Second Basic Plan for Promotion of Social Enterprise, 2013):

- Strengthening the viability of social enterprise

Emphasis is put on helping SEs to pioneer in markets and expanding funding and investment. It is planned to both increase macro-enterprise loans and social investment funds as well as to improve the subsidy system and increasing the amount of public purchases from SEs (to one trillion won). To increase employment continuity among vulnerable employees, incentives to cover labor costs will be provided. This support for labor costs will be reduced in stages while scaling up the SE's ability to survive on their own.

- Establishing a tailored support system

Furthermore it is planned to establish a tailored support system by expanding consulting services, reinforce infrastructure of support organizations, expanding training and providing follow-up services to entrepreneurs. Also internship programs for youths shall be implanted.

- Expand the role of Social Enterprises

The 2nd Basic Plan stresses the expansion to expand the role of social enterprises and multiplying their achievements by spreading the most successful models of SEs and by strengthening their responsibilities. Also it is planned to simplify certification requirements for social cooperatives.

- Strengthening partnerships with private companies and local communities

This is planned to be done by increasing support from private companies and by strengthening ties between relevant local communities and industries with social enterprises.

The government will furthermore expand the 'one-company-one-social-enterprise campaign', where private companies provide funding, knowledge, PR-strategies, sales channels and else.

Also it is desired to enable retired professionals to engage in paid work in SEs and to set up community based SEs to involve local residents as workers and consumers.

5.4.3. Korea Social Enterprise Promotion Agency

Based on the Article 20 of the Law on the Promotion of Social Enterprises, the Korea Social Enterprise Promotion Agency (KoSEA) was established in December 2010 to foster and promote social enterprises effectively. The main target is to educate and consult social entrepreneurs to enable them to build on a sustainable business model. KoSEA helps them to explore the market within the local community to ensure solid profitability of the enterprise; also Social Enterprises are getting connected to various entities like civic groups, religious organizations and companies to create a favorable atmosphere of support cooperation network. The aim is to stimulate creativity and diversity within the society. Furthermore, KoSEA is committed to help local residents solving their issues themselves by encouraging them to establish Social enterprises. **In order to reach sustainable profits while realizing social values, a solid business model is needed.** KoSEA is therefore making great efforts to

create an ecosystem which enables Social enterprises to grow and meet the demands of the local community. In table 7 a short summary is provided on the development of KoSEA.

Table 7 History of KOSEA

June 2010	The Law on the Promotion of Social Enterprises was enacted.
December 2010	The Law on the Promotion of Social Enterprises was amended. The Regulations on the Establishment of KoSEA (Article 20 of the Law) was implemented and the first Commissioner (Si-Moon Ryu) was inaugurated.
January 2011	KoSEA was established. (2 headquarters, 6 teams and 42 personnel). Initial workers were deployed.
February 2011	Designated as an 'other public agency' according to the Law on the Operation of Public Agencies. The first BOD meeting was held.
February 22 nd 2011	Inauguration Ceremony of KoSEA
July 2011	First gathering of all social enterprises
September 2011	Infrastructure Formation Headquarters was newly established (3 headquarters, 6 teams and 42 personnel)
April 2012	The second Commissioner (Jae-gu Kim) assumed office.

Source: Website KOSEA

KoSEA's duties include the fostering of social entrepreneurs, finding business models for their enterprise and support their commercialization. KoSEA monitors and evaluates social enterprises and establishes networks of support in all industries, localities and the national level. Furthermore they establish homepages and integrated information systems for social enterprises and provide consulting services on business administration, technology, taxation, labor, and accounting and even foster international cooperation.

As Social enterprises are subject to the state-centered approval process before receiving their certification, KoSEA examines the reality of their activities and provides education as well as training to the newly established Social enterprises.

5.4.4. Key Goals

At first, the majority of approved social enterprises **created jobs** rather than offered services, which only subsequently gained in importance. This suggests that the approval committee initially viewed social enterprises as a social policy for job creation. The discussion of **social service provision** as an alternative to public social services was not implemented strongly in the first stage of social enterprise development, but seems to have gained attention since then (Park C., 2009, p. 24).

5.5. Certification procedures

The state set up a special committee under the Ministry of Labor, which annually approves applicant organizations as social enterprises. Upon approval, the state offers financial subsidies for initial capital and various tax benefits. In 2007 alone, a budget of 1.3 trillion Korean Won (approx. 870 Million Euro) was provided to support social enterprises. The certification and support is organized on national level at the Federal Ministry of Labor, which distributes its funds to Korea's 16 provinces and 2,074 local governments, who decide how many certifications to give out per year according to the budget they receive (own investigation in Korea, see interview partners in the annex).

Before preliminary SEs apply for certification, there has to be a prior consultation on the formal requirements of application, which is carried out by support organizations in each region. The application is then sent to KoSEA which inspects and evaluates the applying organization. KoSEA recommends the applicant to the central department and to the local government, where a certification Sub-committee reviews the application and further hands them to the department of Employment & Labor. After careful deliberation, the Ministry of Employment & Labor executes the certification. Table 8 provides us with a summary of the criteria which have to be met by the applicant in order to receive certification.

Table 8 Criteria for approval

Criteria	Certification requirements
Organizational Type	<p>A Social Enterprise may choose between:</p> <ul style="list-style-type: none"> - Corporation or cooperative - Public corporation - Non-profit civic organization - Social welfare corporation - Living cooperative - Other non-profit organizations
Paid Employees	The job creation for at least one paid employee other than volunteers or unpaid members is necessary for approval.
Income from business activities	6 months prior to the application, the income from business activities should already exceed 30% of wages.
Social Goals	<p>Social Enterprises need to show the following aspects:</p> <ul style="list-style-type: none"> - Job creation type: more than 30% of hired employees must be socially disadvantaged people. - Social service type: should provide more than 30% of its total services to the socially disadvantaged. - Mixed type: more than 20% for hiring and social provision for the socially disadvantaged. - Local Community Contribution type: more than 20 % for vulnerable social groups residing in the relevant region. - Other types: main purpose is to provide social services, but realization is hard to judge with ratio of employment or service provision.
Governance	Employees or service clients should participate in the decision-making process.

Source: adapted from Park C., 2008, 12; KoSEA; Social Enterprise Promotion Act: Article 8

Not eligible for certification are individual businesses or organizations which were established with the investment of public agencies or local governments. Regarding the paid workers, not only regular but also non-regular workers like part-timers or day workers are included, while non-paid volunteering personnel is not included. Among these are: Short-term workers working less than 60 hours a month, geriatric care helpers, workers belonging to a workplace for the handicapped and workers who are directly instructed by the business owner for working, service or wage. A paid worker must also be insured by the four major

insurances (medical-, pension-, employment- and occupational health & safety insurance) and must be paid at least the minimum wage.

Regarding the judgment of the social purpose, the performance on the realization of the past 6 months are decisive, as well as the income through business activities in the last 6 months which should succeed 30 percent of their total labor cost.

To be certified as a social enterprise, the organization must also show decision-making structures involving various stakeholders and representatives of workers, representatives of beneficiaries of social services and representatives of guardians, sponsors, and others in addition to executives or directors of the organization (KoSEA).

5.5.1. Means of support

After successful certification, the new social enterprises, enjoys benefits of support in consulting on business administration, preferential purchase by public institutions, support of facilities and equipment, taxation support, support of social insurance, support in recruitment of professionals, labor costs are paid and costs for business developments are subsidized and funds are provided.

Table 9 Means of support

Tax relief and other forms of support measures
<p>50% Tax relief for social enterprises during the first four years During the first two years, the government covers all labor costs and social security contributions related to the created jobs.</p> <p>(Source: Basic Plan For Social Enterprise Support 2008)</p>
Operation support
<p>The Korean Minister of Labor provides support such as specialized advice, information, etc. in areas of administration, technology, tax, labor, accounting, etc. The nation or a local government may support or finance site expenses, facility expenses, etc. or lease state-owned land and co-owned land, which is necessary for the establishment or operation of a social enterprise.</p> <p>(Source: SE Promotion Act 2007)</p>
Public Relations
<p>Support provided by the government:</p> <ol style="list-style-type: none"> 1) Raising awareness among the public 2) Establishing local government offices for the support of social enterprises 3) Supporting the cooperation between businesses, research agencies, and social enterprises <p>(Source: SE Promotion Act 2007)</p>
Public Procurement
<p>The government and public institutions shall promote the prior purchasing of goods and services produced by a social enterprise. (Source: SE Promotion Act 2007)</p>
Education & Training
<p>The government shall promote the establishment of training institutions for social enterprises (Source: Basic Plan For Social Enterprise Support 2008)</p>

According to the 2nd Basic Plan for Promotion of SEs (2013), if a social enterprise employs vulnerable people for 3 years or more, additional incentives to cover labor costs are paid. In the 1st year of employment 90 percent of labor costs are being covered, in the 2nd year 70 percent and in the 3rd year 50 percent. However, from 2015 the structure shall be respectively 80, then 60 and then 30 percent for the first 3 years. Additional incentives for the 4th year with 30 percent are planned. Furthermore the government will increase the amount of subsidy for

business development costs from 17.5 billion won in 2012 to tentatively 29.6 billion won in 2013.

In return, the Social Enterprises have to draw up a business report stating the matters determined by the Ministry of Labor, including business performance and interested parties' participation in decision making. The Minister of Labor shall then instruct and supervise a social enterprise, and may give order to make a report or submit a related document. The Minister of Labor may give a corrective order after reviewing the report (SE Promotion Act 2007)

5.5.2. Preliminary Social enterprises

Korean organizations may apply for certification in order to obtain the social enterprise status, legitimizing to receive subsidies and other state-funded benefits. Korean social enterprises can have different organizational forms, and either focus on job creation or on providing services for the disadvantaged; alternatively, they can also focus on both. If an organization is fulfilling a minimum of the above requirements, including the realization of a social purpose and profit generation through business activities, the local governor or the minister of the central government may designate it as preliminary social enterprise (예비사회적기업).

Preliminary social enterprises receive a subsidy of 50 million Korean Won (approx. 33,300 €) for investments in their first year, to be continued a second year in case they perform well (according to their previously set goals). The social enterprise status, in contrast, guarantees subsidies for the created jobs up to three years. In total, organizations may receive support for a period of five years, after that, they are required to be self-sufficient.

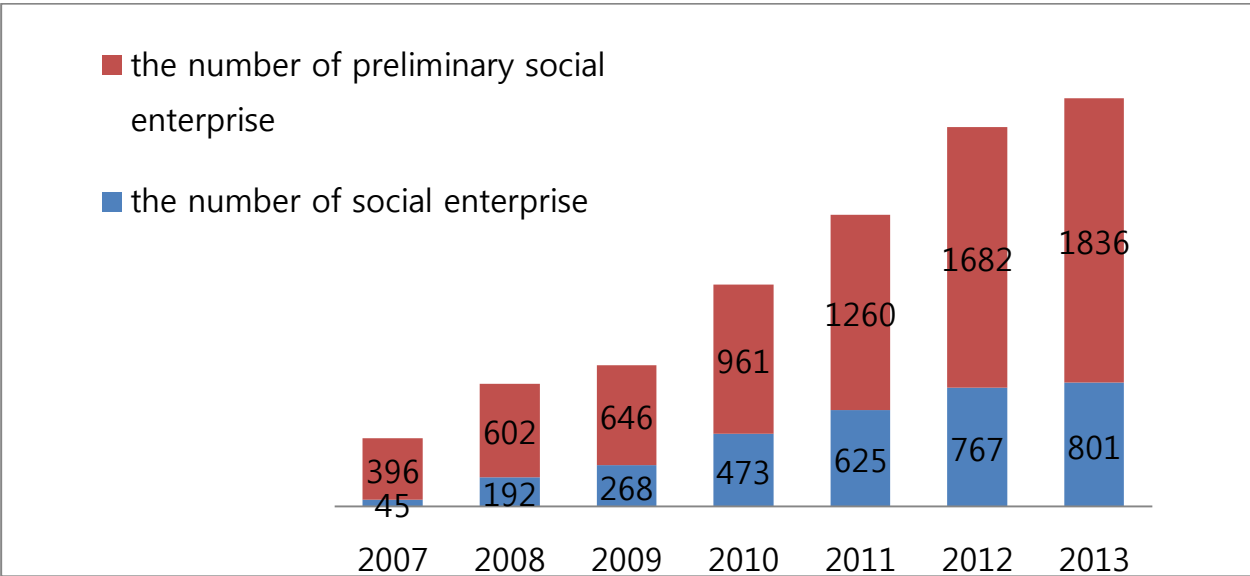
The status as preliminary social enterprise is issued for a year and can be extended after re-examination to a maximum of three years. However, the aim is to become a social enterprise in near future (Kim & Cho 2013).

A preliminary social enterprise is provided with consultancy on business administration, with subsidized costs for business development and labor costs for job-creating projects.

Furthermore, the enterprise is recommended to public institutions to buy these products on a preferential basis.

The preliminary SE needs to show one of the types of organization and conduct business activities by hiring paid workers (regardless of their sales volume). In the case of a corporation according to commercial law, they have to reinvest more than two thirds of their profits for the realization of social purposes. According to Kim and Cho, the current number of preliminary social enterprises is 1,836 enterprises as of April 2013. In the graph it is apparent that preliminary social enterprises exceed the number of certified social enterprises. This indicates the difficulties a firm faces to obtain certification by the government.

Figure 9 Number of Social Enterprises and Preliminary Social Enterprises



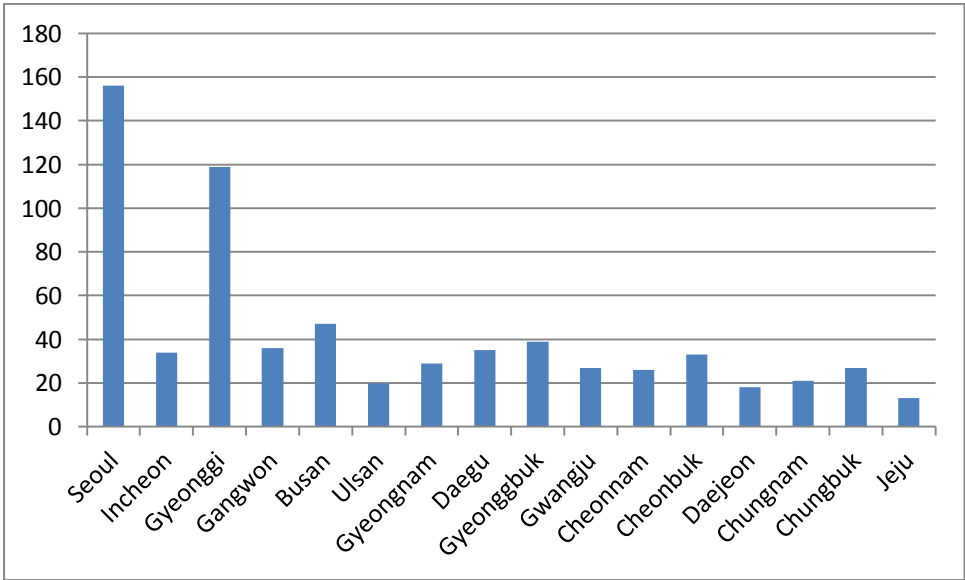
Source: (Kim & Cho, 2013, p. 9)

According to Kim, Jae-Gu, President of KoSEA, Preliminary Social Enterprises receive their subsidies through the local government until they are accredited; after certification, support is rendered directly from the Ministry of Employment and Labor.

5.6. Present condition of SEs

In 2012, the Ministry of Labor and the Social Enterprise Promotion agency conducted a survey among 631 Social Enterprises called Report on Social Enterprise Survey (in Korean). As shown in Figure 10, most SEs are located in Seoul and the surrounding areas of Gyeonggi-do and Incheon, accounting to 45 percent. The other 55 percent are almost evenly distributed across the rest of South Korea.

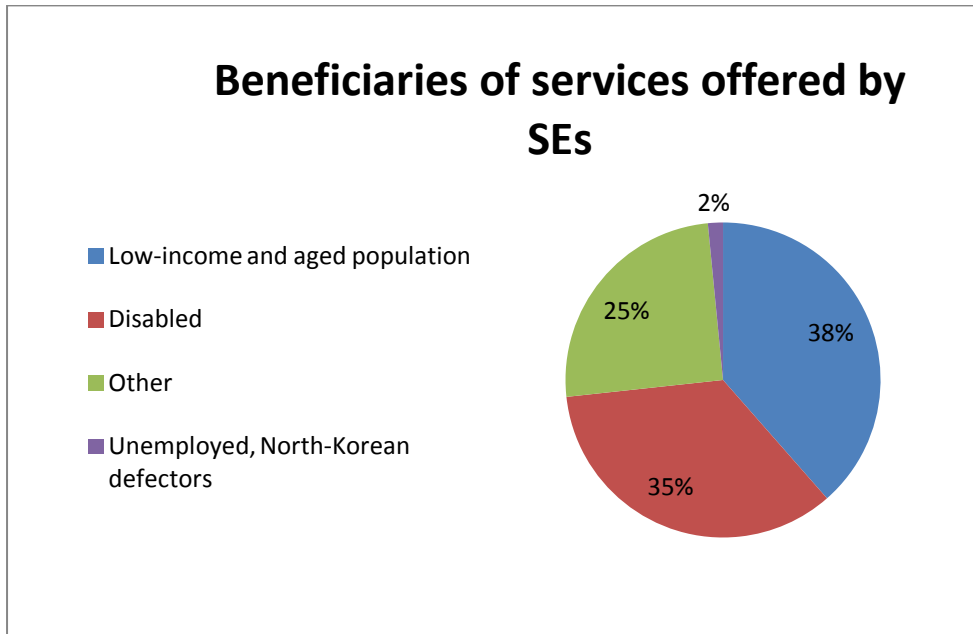
Figure 10 Social Enterprises by region



Source: Data provided by the survey on the actual condition of SE; own-graph

The survey revealed that primarily low-income population and disabled persons receive services provided by Korean social enterprises: 225 responded that they offer services to the old-aged and to the low income population, 203 responded that they offer services to the disabled and 147 respondents said they offer services to other social groups. Only 2 percent offer services to unemployed people or North Korean defectors (Report on Social Enterprise Survey, 2012).

Figure 11 Beneficiaries of services offered by SEs

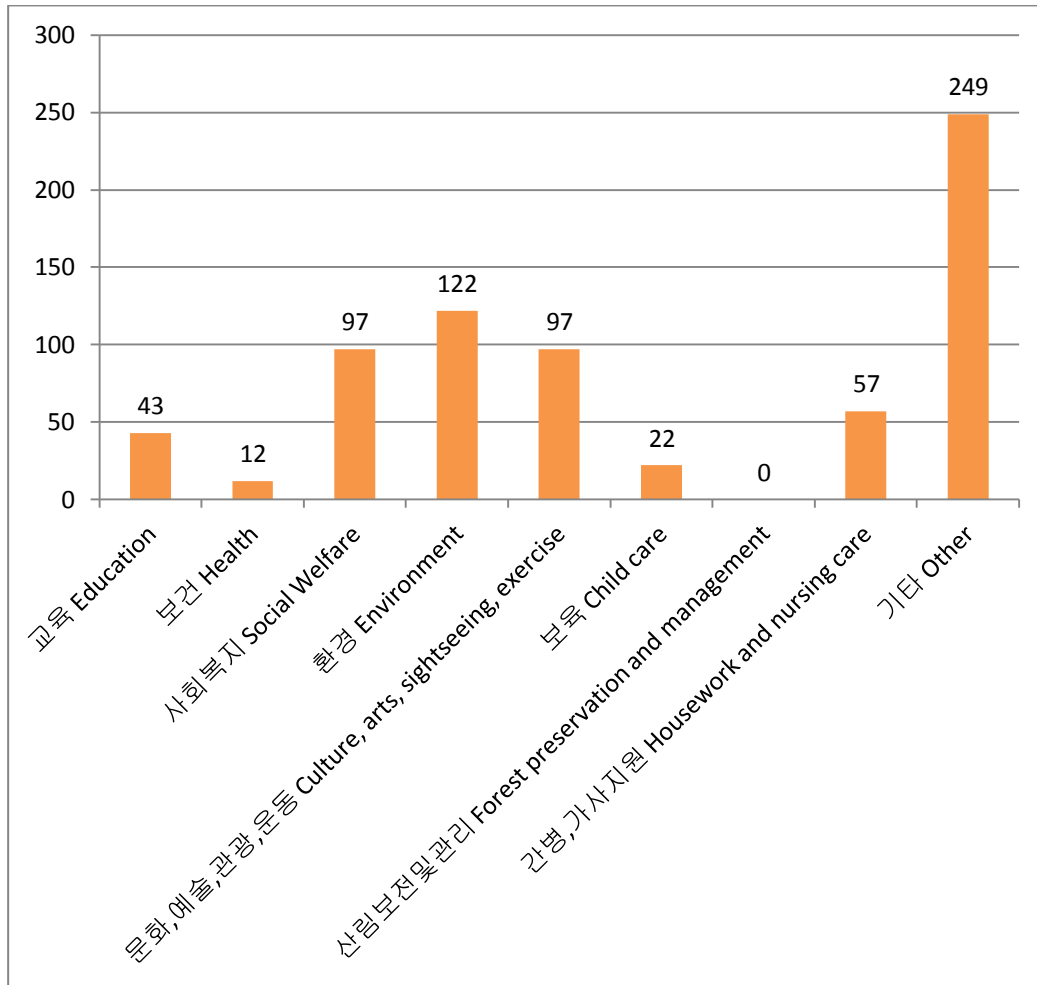


Source: Data provided by the survey on the actual condition of SE; own-graph

5.6.1. Organizational Form

Overall, Korean social enterprises range from very small, locally established organizations such as producers of lunch-boxes or organic honey and bean-sprout farmers creating jobs and offering their products to vulnerable people (see interview partners in the annex), to big corporations launched by Korea’s world-leading conglomerates (*chaebol*). For example, SK Group transformed one of its subsidiaries into a social enterprise called “Happynarae” (i.e. “happy wing”), “turning its maintenance, repair and operation company with annual sales of 120 billion Won into a social enterprise, spending more than two-thirds of its profits on social purposes and purchasing expendable supplies preferentially from firms that hire socially vulnerable people” (TBN, 2012).

Figure 12 Variation in social services among Korea's social enterprises



Source: Data on social enterprises provided by WKO, 2012; own graph

Figures refer to the number of social enterprises providing this service, summing up to their total number of 2012

Figure 12 provides an overview of social services provided by social enterprises. Most enterprises offer services in environment, social welfare and cultural activities, followed by housework and nursing care, education, and child care. A great number of social enterprises could not specify their social services or didn't into to the categories.

According to data from 2007 and 2008, **corporations** clearly dominated the organizational types in the first two years. Thus, the approval committee seemed to favor corporations with a better chance for income creation from business activities and job creation over co-operatives or foundations.

According to my expert interview, with Kim Jae-Gu, President of the Social Enterprise Promotion Agency, 50 percent of the CEOs in Social Enterprises come from the NGO sector including Catholic and Protestant or Buddhist Organizations. President Kim stated that many intermediary organizations are being supported by NGO's of which many have religious backgrounds. In Korea the Catholic Church has also given full support to Social Enterprises in Korea. In fact, the most famous Social Enterprise stems from Catholic church called "We can cookie" (위캔쿠키).

Asked for the purpose or motivation of establishing an SE, the following reasons were stated:

1. Similar goals of the mother organization in terms of social purpose (45%)
2. To promote the image of their business (25%)
3. To innovate themselves (16%)
4. They needed more support (14%)
5. Couldn't be independent alone (8%)

(Report on Social Enterprise Survey, 2012)

5.6.2. Number and situation of Employees

A typical social enterprise is a small- to medium-size organization with relatively weak impact on job creation and as the **average number of employees is decreasing**, the potential of social enterprises in reducing unemployment has to be questioned.

In 2009, 12 employees were hired in a SE and this number is decreasing since. In 2010, 11.20 people were hired and in 2011 10.70 people. On average, the number of employees from vulnerable social groups is also decreasing respectively: in 2009, 7.10 people, in 2010, 6.60 people and in 2011 only 6.30 disadvantaged employees were hired (table 10). The average number of employees was 49 people in 2007 and 25.3 people in 2011. Furthermore, 72.3% of the workers were fully employed and 27.7% were part timers as of 2011 (Report on Social Enterprise Survey, 2012).

Table 10 Average Number of employees

Year	2009	2010	2011
Employees	12	11,2	10,7
Disadvantaged employees	7,1	6,6	6,3

Source: Data provided by the survey on the actual condition of SE; own-table

However the total number of people employed by SEs rose greatly from 2.539 people in 2007 to 15.990 people in 2011. In general, women present the **majority of hired employees are women 10.493 (64, 6%)**, the number of employed men was 5.497 (34, 4%) in 2011. People in their 30-50s are represented with the highest number of 9.306 (58, 2%) and in second place stood people from age 55 or older with 4.512 (28, 2%). Furthermore, according to the report 2.765 (5, 8%) disabled people have been employed by SEs (Report on Social Enterprise Survey, 2012).

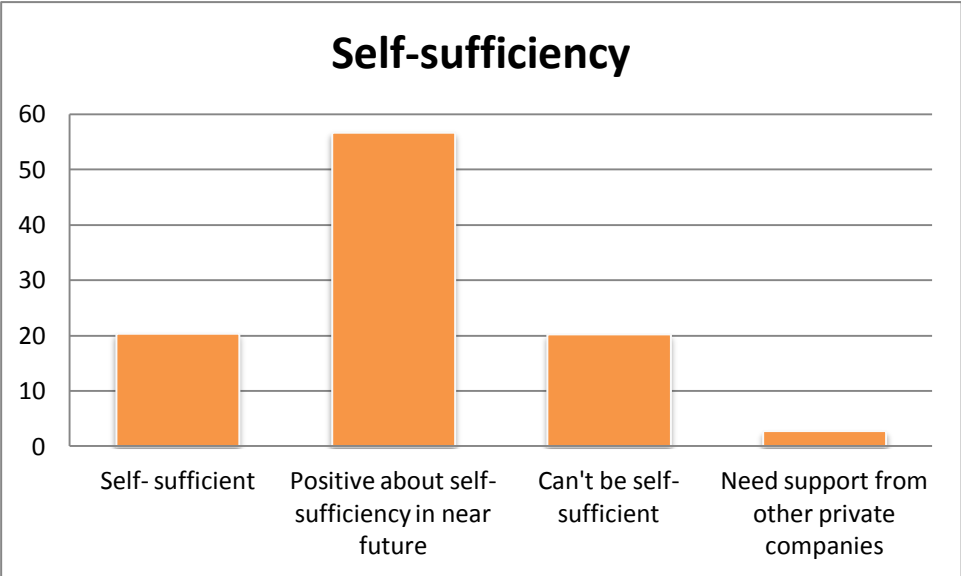
The subsidy per full-time employer refers to the minimum wage in Korea, which amounts to 1, 02 million won per Month (approx. 680 Euro). However, the company is free to pay more than the minimum wage out of their own pocket. According to the report the majority of 1.961 people, specifically 777 people (39, 6%) have received a salary of 500 000 to 1 million Won (approx. 333 to 667 €). A share of 670 people (34.2%) has received a salary between 1 million and 1, 5 million Won (approx. 667 to 1000 €). Furthermore, people are quite unsatisfied with the benefit package offered by the company (satisfaction level 2.76 of 5) and improvement is needed in this matter (Report on Social Enterprise Survey, 2012).

5.6.3. Financial Situation

The Report on Social Enterprise Survey 2012 revealed that the survival rate of a Social enterprise amounts to 82.7 percent. From the questioned SE's, 84.2% received financial support and 15% said that they do not receive any support from the government anymore. In

2011, 20.4% of the respondents said that they were self-sufficient; 56.7% stated in future they can be financially independent, thus 77.1% are positive about self-sufficiency. A share of 20.2% of the interviewees stated they cannot be independent without any governmental support. Only 2.8 % said they need support from other private companies. Also important for Social enterprises were strong network ties with other SE's, NGO's and private companies.

Figure 13 Rate of self-sufficiency



Source: Data provided by the survey on the actual condition of SE; own-graph

For social enterprises the most important kind of support was the preferential purchasing system by public organizations (14.8%), then general financial support (14.3%), as well as financial support with cost of equipment (13%) and personnel expenses (12.6%) (Report on Social Enterprise Survey, 2012).

93.9% of the interviewees think in general that SE's need financial help from the government. Among the biggest difficulties they stated were:

- 1) Penetrating new markets (45%)
- 2) Lack of understanding what SE means among the public (17.3%)

3) Lack of employees' abilities (12%)

The average year's profits of a SE didn't change much recently with 871 million Won (approx. 5, 8 million €) in 2007 and 829 million Won (approx. 5, 5 million €) in 2011.

The total sales, however, were raised due to the rising number of SEs. In 2007, the total profits amounted to 46 billion Won whereas in 2011, the profits reached in 2011, 52 billion Won.

The interviewees stated that the most negative aspects of running a SE are weak capital strength (25%), bad PR and marketing strategies (19%) and high product prices (9%). Strengths include their high product quality (33%), high trust in Social entrepreneurship (13%), and good product prices (12%) (Fig. 14). When looking at these figures the conclusion can be drawn that Social Enterprises produce high quality products with prices that reflect high quality. However, they seem to lack the ability to promote their products. The government should therefore invest in promoting social entrepreneurship and their high-end products (Report on Social Enterprise Survey, 2012).

Figure 14 Self-assessment on strong and weak points of SE



Source: Data provided by the survey on the actual condition of SE; own-graph

Therefore it can be concluded that working for an SE in Korea is a low paid job for underprivileged and not attractive for ambitious job-seekers.

5.6.4. Related forms of organizations

In Korea other enterprises exist which show similar attributes as Social Enterprises (table 11). According to Kim Jae-Gu, these forms of business are eligible to become a social enterprise, if they seek to.

Table 11 Social Enterprise and similar organizational forms

Organisation	Ministry	National Budget
Social Enterprise (사회적기업)	Under the Ministry of employment and labor (고용노동부), supervision by KoSEA	200 Billion Won per annum, approx. 133 Million Euro
Village enterprise (마을기업)	Ministry of Security and Public Administration (안전행정부)	30 Billion Won direct subsidy per annum, approx. 20,6 Million Euro
Co-operative (협동조합)	Ministry of strategy and finance (기획재정부)	There is no budget for a general co-operative. For social co-operation 2 Billion Won per annum, approx. 1,33 Million Euro
Self-Support Business (자활기업)	Ministry of Social Welfare (보건복지부)	500 Billion Won per annum, approx. 333 Million Euro

Source: Expert Interview with President Kim of KoSEA, own-table

The **village enterprises** are an initiative of local communities in rural areas to ensure a stable income through all sorts of business activities. For example the village enterprise that applies to become a SE will be evaluated according to its performance.

The village enterprises are founded on the policies of social enterprise by *The Ministry of Employment and Labor* (고용노동부) as well as the *farming and fishing village community* of the *Food, Agriculture, Forestry and Fisheries Committee* (농림수산식품부의 농어촌공동체회사) who joint together and pushed forward a policy for social economy. Due to the limitation of village enterprises to a rural areas, the Ministry of Public Administration and Security (행정안전부) supported the development and growth of village enterprises through social entrepreneurship as they seek to extend the impact of both forms of organisation. The difference between the two is that the goal of village enterprises is to activate the local community, whereas the social enterprise ought to create jobs for disadvantaged social groups, both through business activities. As of November 2011, there have been 539 village enterprises and most employ between 11 to 30 employees (Along with Village Enterprise, 2011).

Co-operatives

The policy on co –operatives (협동조합) was enacted in January 26th 2012¹⁴ and implemented in December of the same year.

A traditional co-operation is run by a group of people of same interests, investing into an organization and trying to maximize benefits for all union members. Furthermore, it is a business organization which improves the rights of members and contributes to local regions by cooperating about goods and services: supply & purchase, producing and selling together for improving members benefits.

Some of their strengths are joint decision-making with stakeholders, participation of employees, transparency and stability of organizational management. One of the weak points is the long decision procedure due to multiple members and stakeholders. In case of dissolution of a co-op, all properties return to the government (Report on Social Enterprise Survey, 2012).

Co-operative social enterprise

Co-ops that work for vulnerable social groups and whose goal is not profit maximization are called co-op social enterprise (사회적협동조합). Co-op SE's work under the Ministry of Strategy and Finance and their support is the same as the one for normal social enterprises.

Co-op SEs offer social services and jobs for vulnerable social groups, contributing to local society, increasing benefits for local residents and engage in consignment business for public organizations or other public services. The allocation of earned surplus is prohibited.

In contrast to traditional co-ops which are owned only by union members, co-op SE's are open to membership of beneficiaries of their services as well as to supporters and workers.

¹⁴ As a side note: the year 2012 was the year of the 'world of co-operatives' according to an UN-Resolution (2009)

Co-op SE's strengths are that stakeholders (investors, employees, volunteers, supporters) participate as a member and form a democratic management and thus exhibit an ownership spirit.

Furthermore, due to a public goal and higher degree on transparency of management, they easily get support from third parties like donations and voluntary services. Weak points are their slow and inefficient decision making, further it is hard to raise funds due to a complicated allocation system and a low degree of innovation and creativity (Report on Social Enterprise Survey, 2012)

Self-Support Business

According to President Kim, KoSEA, the **Self-Support Businesses** (자활기업) under the Ministry of Social Welfare are using a self-help community (자활공동체), in order to sustain.

Two or more recipients or low-income families form a partnership of mutual cooperation, in form of a self-supporting business for de-poverty. It is required that 1/3 of the members are recipients of the basic-livelihood security system.

However they do not conduct business strategies and lack a business model as well as vocational training. Therefore they are not self-sustaining and rely on other ministries, donations and other means of support. Their success rate therefore averages a mere 10 percent. Due to their high failing rate, President Kim suggests to connect them with SEs (Expert Interview, April 2013).

5.7. Visited Social Enterprises

During my stays in Korea in September 2012 as well as September 2013, I was able to inspect seven social enterprises in Seoul, Gyeonggi and the Chungnam region through our contact to the Korea Social Enterprise Promotion Agency and The Korea Young Men's Christian Association YMCA, who recommended these enterprises.

All open interviews have been conducted in Korean language while taking notes, also they have been audio-recorded.

5.7.1. Organisation Yori

오거니제이션 요리 (Organisation Yori), visited in September 2013.

Training Program “YOung Chef”

Address: 150-037 Seoul, Youngdeungpo-gu, yeongsinro 200 Haja center No. 102

CEO: Han, Youngmi (한영미), Contact: 0082 2 2679 5525, Web: <http://www.yori.co.kr/>

History: In 1999 “YOung Chef” developed out of the impacts of the IMF crisis when the “Haja center” was introduced by CEO Han Youngmi. The Haja center offers afternoon leisure time for young people to divers themselves in creative ways and to find their talents and interests, for example in painting, cooking, music etc. CEO Han helped troubled young people, who usually came from poor households or were orphaned, to follow their dreams.

Image 1 Organization Yori

Mrs. Han opened 2 years later a training program “YOung Chef” where young people can learn cooking following the example of Jamie Oliver in the UK. This combines on-the-job-based learning, college-based work and personal development. It is a training course, recruiting young, unemployed people between the ages of 17 and 22 to become professional chefs.



Source: own-picture

In October 2008 Organization Yori became a certified social enterprise in the field of education and has opened two Restaurants called Café Seullobi and Jeju Seullobi (카페 슬로비, 제주슬로비), the latter located on Jeju

Island. The YOung chefs can work there after they went through the training program and the profits of these restaurants provide income for the school. We had the chance to have a very delicious lunch at Café Seullobi and the restaurant had many customers.

CEO Han started the project because she believes that she can make a change in the world of these young people, but unfortunately, she said many young people drop out of the program. They are very young, around 17 and come from troubled households. Many of them find out they don't fit into the world of cooking or are stressed about studying. In fact the school is for free and does not give grades. Mrs. Han says she has many applicants and she has to choose the ones who show most dedication. By now, Organization Yori, does not get any funds from the government anymore and doesn't have other donors. However they are sustainable and can be called a best practice social enterprise. What you need for social entrepreneurship, she said, is a financial basis on which you can work on. However she agreed that social enterprises need a new business model. Mrs. Han believes social entrepreneurship can tackle social issues and bring change to people's lives.

In the beginning the organization Yori started with five employees, one disabled and two elderly employees. Now they grew to 18 workers with the same number of disabled and elderly employees. These normal employees are usually women immigrants from the South East Asian regions married to Korean men. Mrs. Han tries to help these young women to take a foot in Korea.

5.7.2. Arirang Fashion

(주) 아리랑패션 (Arirang Fashion) Pre-certified social enterprise to support North Korean defectors, visited in September 2013.

Address: Seoul, Gangseo-gu Hwagog-dong 1031-1 Seomyuyutonghoi-gwan 2nd Floor.

CEO: Lee, Su-Heung (이수흥), Contact: 0082 2 2603 1666

Arirang Fashion is manufacturing clothes for wholesale, employing women from North Korea. The company was taken over from another owner and at the moment there are 30 women employed - 9 from North Korea.

Image 2 At Arirang Fashion with a North-Korean employee



Source: own-picture

In the beginning there has been some friction between North and South Korean workers but now they work together, very well CEO Lee said. Three years ago they started with 12 employees including four North Korean women.

As pre-certified SE, Arirang Fashion still gets support from the government for labor costs and other fees; especially they also get support from the Ministry of Unification.

CEO Lee said that there are a few things needed in order to become self-sufficient, which are of course capital, and consulting on accounting, labor management and marketing.

Mrs. Lee also agreed that SE's are in need of a better business model and **more consulting on business skills**. CEO Lee further said that the government should not abruptly cut off all support after 5 years but reduce support more gradually.

Her success factors, she said, are people with whom she shares her short, middle and long term goals.

5.7.3. Mezzanine Ecowon

메자닌에코원 (주) (Mezzanine Ecowon), visited in September 2013

Address: Gyeonggi-do, Paju-si, paju-eup, paekseokri 349-3

CEO: Lee, Jung Seok (이중석), Contact: 0082 31 953 2973, Web: www.ecowon.com

The company Mezzanine Ecowon is manufacturing wooden shades and blinds, starting business in 2009. They became certified as social enterprise one year later, on December 10th 2010 as job-creation type. When they started they employed 30 workers, however due to a crisis after just 8 months of operation they had to reduce to 16 employees, now they are back to 28 employees. Among them are eight North Korean defectors, two disabled persons and 8 people aged 60 or above. CEO Lee emphasized that a **good balance between efficient and vulnerable workers is 50:50**. Due to the crisis in 2009, CEO Lee was asked to run the business instead of the owners, a Christian NGO called "Merry Foundation".

Image 3 Mezzanine Ecowon - with machines sponsored by SK Group



Source: own-picture

Mezzanine Ecowon still receives subsidies from the government, and SK Group (one of the big conglomerates in Korea) sponsored the machines for manufacturing its shades.

The Social Enterprise Promotion Agency mentioned this company as a **best practice example due to its high profitability and management skills.**

Mr. Lee stated that social enterprises face many **disadvantages compared to profit-oriented businesses.** Social enterprises have to 'play the rules of the game' whereas profit-oriented business can have their employees work longer hours etc. In social enterprises however, employees go home exactly at 5 pm and even in times of crisis he cannot ask them to stay longer. A profit-oriented business has much more range of action, Mr. Lee explained. Furthermore, **society has a low perception of social enterprises,** thinking they are not able to produce high quality products due to their disabled or elderly workforce. In fact quite the contrary is true; Mezzanine Ecowon produces very high quality products with a distinct feature: the blinds are varnished with a natural tincture keeping away insects.

What Mr. Lee wishes for the future are counselors for North Koreans to adapt to society and work ethics in South Korea. Furthermore, social workers to counsel North Koreans at the work-place would be helpful, Mr. Lee stated.

5.7.4. Joyful Lunch-Box

(주) 즐거운 밥상 (Cheulgeoun bap-sang) visited in September 2012

Address: 330-952 Chungnam, Cheonan- si, Dong nam-gu, Wonseong-dong 314-5

Contact: 82-41-558-0615, Web: <http://zlebab.com/rb/>

CEO: Mr. Park, Chan-mu (박찬무)

Image 4 In front of the “Joyful lunch-box”



Source: own-picture

The Joyful Lunch Box was founded in 2005 and became certified as self-help community company (자활공동체) in December 2007 (Cheonan-si No. 2007-002). In 2010 the company became certified to become a social enterprise (Chungcheong nam-do No. 1). The sales for 2011 were expected to be 1.6 billion Won (approx. 10.7 Million Euro).

In the beginning the Joyful Lunch-box employed 6 people, now 14 regular employees.

According to CEO Park, Joyful Lunch-Box will have no problem to be self-sustainable after the governmental support will have ended.

The aim is to provide food to those who cannot afford it (especially malnourished children and elderly) as well as job creation for elderly and underprivileged people. In order to reach this goal the company produces lunch boxes for commercial sales. One lunch box costs around 15,000 Won (approx. 10 €) and they prepare around 1,300 meals a day. For poor

families they sell the same boxes for 8000 Won (approx. 5 €) which is subsidized by the government.

“It was very difficult to meet the tough criteria by the government to become certified as social enterprise”, the director said, filling a whole book of 300 pages to meet the application requirements (see Image 5). It includes certification approval, information on accounting, contracts, dates, numbers, people, grants, donations to other organization (which is a duty of any SE to get certification!) and much more. Decision making lies in the hand of the CEO, workers and shareholders. For a period of 3 years, has to be written once a year a report (about 20 pages).

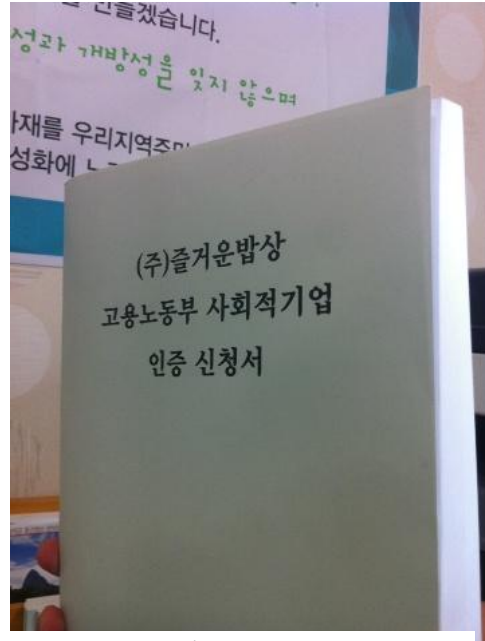


Image 5 Application requirements

CEO Park told us that **the certification requirements are a great obstacle** and that it would be useful to reduce the administrative burden for SEs. He furthermore said **that most founders of SE's have been involved in social activities before.**

5.7.5. Book-Café “Bookbird”

산새 (Sansae) visited in September 2012

Address: 331-955 Cheonan- si, Seopug-Gu, Ssangyong 2 dong, 1583, Korea

Contact: 82- 41-571-3336, Web: <http://cafe.daum.net/bookbird>

The book café is located in Cheonan city and provides facilities and a café for surrounding non-profit-organizations and associations.

Established in 2011, the café also offers small dishes and beverages to customers and accommodates charming reading rooms.

Unfortunately, the shop is located on a minor road and is therefore difficult to reach, badly affecting the number of customers. The café was established by an NGO “Korea Youth Corps” (KYC) where 6 members did fundraising for esta

and most employees work on a voluntary basis. The third floor works as an office to NGOs. I could not really understand the “social purpose” of this Social Enterprise as it doesn’t offer paid jobs or social services. It offers solely rooms and facilities to other NGOs, selling some drinks and meals to a few customers.

Image 6 In front of the book café



Source: own-picture

5.7.6. Organic Honey and Bean Sprouts Farm

„송악골영농조합법인“ Songakgol farming/agricultural association corporation

Visited in September 2012 in Chungnam

Address: 293-12 Pyeong-chonri songakmeon, Asansi, Chungnam province

Executive director: Ahn, Bo-kyu (안복규), Contact: 82-41-542-7410

A coalition of nine farmers in the Cheonan area offers jobs for elderly, and supports poor families and schools with vegetable products. Seven years before they have been established as SE they have already sold honey, bean sprouts and other vegetables to companies and gave donations to poor families and elderly. There are 110 organic farms in Song-hak myeon. They support wages for staff; and support communicating with customers, and share *gimjang*¹⁵ (김장) in regional youth centers for a neglected class of people. They have distributed bean sprouts for the Song-hak elementary school for free since the factory was built seven years ago. The students from the local elementary school and middle school benefit from bean sprout for free as well.

Originally they didn't start as SE but as an agricultural association corporation with farmers of the region¹⁶. They then applied for becoming a SE and were certified in 2011. They grow their vegetables by environment friendly and organic means. When they make a profit, they return it to the agriculture society or corporate farms except for their investment distribution. Director Ahn said he was happy to contribute to the development of the community, and to return profits to local farmers. He further considered how to use the profit for education, culture, and ecology.

Their sales of only bean sprouts are about 400 million Won (approx. 267000 €) per annum.

¹⁵ See also Kimchi: Traditional Korean pickled or seasoned cabbage, usually preserved in a hot-pepper paste

¹⁶ I was told that many SE on the countryside have been established by a union of several people or farmers through village enterprise.

Director Ahn was furthermore very positive about Social entrepreneurship, praising their sharp increase in numbers. He said that agriculture Social Enterprises have an even better chance of becoming independent than other forms of SE. He was only worried about the poor health condition of his elderly employees.

5.7.7. Green Culture Network

풀빛문화연대 (Pul bit munhwa yeondae)

Visited in September 2012 in Seoul

Address: 4F, 20, JeokSeon-Dong, Jongno-Gu, Seoul, Korea 110-502

Contact: 0082 2 332 2010, Web: <http://www.gcnet.or.kr/>

CEO: You, Youngcho (유영초)

The Green Culture Network is a social enterprise for forest conservation and management and received certification as social enterprise in 2010. Their activities include a fusion of mainly educational, cultural and welfare activities like for example educating children and adults in the fields of ecology and nature also

through organizing excursions and walks in the countryside. They started with only one full-time

employee, now they employ 7 full-timers and 15 part-timers. The founder started this program because he believed in the concept of social entrepreneurship and because he wanted to educate Korean society on sustainable ecological environment.

Image 7 At the "Green Culture Network"



Source: own-picture

What social entrepreneurship really needs she said was a man or a woman with a strong determination to become sustainable and **a better business model on the concept of social entrepreneurship**. Mr. You thought, the government does not ask for too many

requirements and that a partial privatization of the government's expanded public works would be helpful on the way to become self-sustainable.

5.8. Result

According to Park, Korean social enterprises are under a **dual pressure of creating long-term jobs and providing services to the socially disadvantaged**. Due to either a low productivity of disadvantaged workers, or a low income of clients, social enterprises are likely to face substantial challenges. Being pushed into self-sufficiency within a short period of time, they will either have substantial difficulties to survive, or stay away from the socially disadvantaged in the long-run in order to stay competitive (Park, 2009, p. 31). If social enterprises have a high employment rate of the weak, and offer social services to vulnerable people, their economic performance will be lower, on the other hand the sustainability of social enterprise depends on a high value of economic and social performance (Chang, Hong & Cha 2012). During my research I could find this confirmed when I talked to the owners of social enterprises; they confirmed that the **efficiency of old and disadvantaged employees was low** and they often face health issues leading to high staff illness and low productivity. A **healthy balance between efficient and vulnerable workers** is therefore needed.

Resulting from my interviews with several Korean social enterprises, one of their biggest constraints are a **narrow regulatory framework** and the demand to be fully **independent** within three to five years. As the regulations hinder a flourishing development, reaching full independence is even more difficult. Especially a social enterprise needs to be very flexible and responding to its environment. If this is not given due to a narrow scope of movement, social enterprises may **eventually be unable to respond in an innovative and creative way to the demands of their social and economic environment**. A potential source of conflict could also be the competition with commercial businesses (Park, 2009), as well as lack of business skills. According to the interviews, many social entrepreneurs indeed come from the NGO sector and **lack business skills**.

One of the major reasons for **rejection of approval** was the failure to satisfy the amount of income from business activities (exceeding 30% of wages six months prior to approval). This shows that the committee members expects social enterprises to be independent business enterprises just after a short period of initial support; however failing to recognize that these state-controlled businesses lack the autonomy and strong heritage of their Western counterparts (Park 2009, p. 22). This could be one of the main reasons for the failure to reach the original goal of 1,000 certifications by the year 2010 (Basic Plan for S.E. Support, 2005). Despite the state's emphasis on the **self-sufficiency** of social enterprises, its approval procedure paradoxically seems to work against their long-term sustainability.

Furthermore, due to the fact that Korean social enterprises have been implemented top-down by the government and not bottom-up by society, many entrepreneurs **lack an entrepreneurial spirit and business skills**, or just respond to the new form of income provided by the government. It is however very important to do this work out of conviction or desire to do something "good". In Korea I could experience that running a social enterprise is just one of the things one can do to ensure an income. When I tried to contact the social enterprises I have visited a year ago, I found that two people in leading positions have already left the organization to engage in other business opportunities.

Taking a look at my home country Austria / Europe, a sharp contrast in the social enterprise landscape is illustrated. Instead of having been established as a social policy, Austrian social enterprises emerged from a long tradition in the third sector, as a new generation of young entrepreneurs seeks for social change. That is why I recommend further spreading of knowledge and education on SE, not only at university but also at lower level, e.g. vocational schools. Offering education and business strategies on social entrepreneurship to build brilliant minds of young men and woman is a valuable asset for a favorable development of social enterprises.

In fact, South Koreans are very well aware of the importance of SE-education, and offer **courses on social entrepreneurship in colleges**, according to Chull-Young Lee, CEO & Chairman of the Social Enterprise Network who is also Visiting Professor at the Sookmyung Women' University and Adjunct Professor at Ewha Womans University. The Social

Enterprise Network (SEN) is *“a partnership among business schools, educational and research institutions, foundations and corporations, to support study and education of social enterprise and to help youths grow to social entrepreneurs as well as responsible business leaders of the future”* (SEN, 2013/09). SEN also organizes yearly competitions called *“Social Venture Competition Asia”* (SVCA) for business and non-business school students and professionals in Hong Kong, Taiwan, Japan and Korea. Chairman Lee holds the opinion that a **certification of social enterprises will not lead to the desired impact of SEs to society, also criticizing the label “social enterprise”**. Real social enterprises, he said create a huge social impact and calls these hidden champions of social entrepreneurship *“social ventures”*. These ventures do not seek certification by the government and don't usually hire socially weak people but highly educated graduates. These social ventures are defined by SEN as *“a business (for profit or not-for-profit), pursuing social and financial values at the same time, by providing solutions to social problems of market economy, through social innovation and application of management skills”* (Interview with Chairman Lee, 9/5/2013). Successful social ventures are e.g. Tree Planet, IUM and Gongsin. *Tree Planet* for example seeks environmental impact. They produce mobile games for smart phones and other companies pay fees to place their advertisement in these game apps. With this profit *Tree Planet*, as the name implies, plants trees in Mongolia or Indonesia.

The aim of SEN is also to foster Social Enterprise Education at Universities in Korea and is working together with business schools to create a syllabus and curriculum.

In South Korea there is already one MBA program on Social Entrepreneurship available. In cooperation with SK Group, a *“Social Entrepreneurship MBA”* was launched to study at KAIST College of Business, located in Hoegi-dong, northeastern Seoul. The course is designed *“to teach about seeking sustainable models for social enterprises and to nurture talented managers who are capable of leading such businesses to success”* (The Korea Times, 6/30/2013).

6. CONCLUSION & RECOMMENDATION

Despite a greater density of social enterprises in certain regions, like Seoul and the Gyeonggi region, the potential of social businesses is not yet fully exploited. My work revealed that SEs find it difficult to gain access to funding and receive a low degree of recognition for their work among the public. It has to be taken into account that Social Enterprises show specific characteristics differentiating them from regular businesses. Korean social enterprises are usually small- and medium-sized companies producing products of high quality with high product prices. However, they **have little access to marketing and means of PR and show weak capital strength**. Even though SE's receive support from the government, it is only for five years. However, prolonging the period of support would just push the same issues backwards. If the government really wants to tackle social issues by means of social enterprises, much has to be done in the area of **viable business modeling** which all interviewees confirmed.

Furthermore, not **only a new business model** has to be developed, but also the spread of word-of-mouth should be enforced. In addition, the big conglomerates and other regular companies could receive some kind of benefits for ordering the products of SEs (e.g. tax reduction on products purchased from SEs). My interviewees and cited studies confirmed that **network ties with other companies**, not only with the government, are of greatest importance to them. "One of the most important tasks is to foster network ties and to make the new phenomenon of SE known to all Koreans", they said.

Further I would like to recommend the widening of the SE framework in order to enable more flexible reactions. Because SEs engage in new ways of doing business, it is important to give them the space needed to find their balance within the market. There are many who want to do "good" - so why make it more difficult for them as it is already?

Social enterprises are intended as a tool for the government to keep welfare costs low. However, many of the SEs cannot meet the harsh requirements and lack business skills, therefore a great amount of social impact gets lost. The **reduction of regulatory and administrative burdens** on SE start-ups should therefore be pursued.

Reviewing the purpose of this thesis, I examined three social issues, answering my research question:

Do Korean Social Enterprises have the potential of solving key social issues?

Aging society

My assumption was that, by working in a Social Enterprise, elderly people would be provided with a safe environment with high-quality working conditions. Especially those who are healthy enough, standing at the beginning of their retirement, could contribute another 10 years of light work to society. However, they cannot work full time and need rest as they are of advanced age. I would recommend employing them on a 10 hour basis for light works which has to be flexible, like visiting the poor and elderly sick who do not have a family, especially in the country side. As we have read, loneliness is one of the main causes of suicide among elderly, as well as poverty. By working in a SE, elderly could help to cover their own living expenses and caring for other lonely elderly gives back a meaning in life. Also I recommend, employing elderly for childcare to lighten the burden of working mothers.

However as we have seen in Fig. 12, only 57 enterprises engage in housework, nursing care, only 22 enterprises in childcare and 97 in social welfare. Furthermore, Social Enterprises are concentrated in the capital area and suburbs, making it difficult to reach needy people in the countryside. Shortly, there are just not enough social enterprises to make a big difference and there are much less enterprises than planned by 2013. As of today, **Social Enterprises are not able to tackle the issue of aging society**, however, I still believe with the right decisions they still have abundant potential to do so.

Employment:

Social enterprises were, in the first place, introduced to tackle unemployment. However, they are **not able to offer long-term, high-quality and high-paid jobs including welfare benefits**, therefore they are not attractive for the common and young workforce. Also the low number of existing social enterprises weakens their effectiveness. It would be much more effective to tackle unemployment by nurturing small- and medium- sized businesses which offer 99 percent of the jobs available but are unattractive as a workplace.

Social Enterprises could offer employment to women and elderly who cannot take part in the fierce labour market. Furthermore, the pressure of families could be relaxed if women had the opportunity to entrust their children to the care of people who work for a Social Enterprise, increasing the chance for women to get back to the primary labour market. Furthermore, like at the University of London or Northampton, Korea's Universities should broaden their offer on MBA studies on social entrepreneurship, innovation and enterprise skills to attract ambitious men and women who are willing to change their society by establishing SEs on their own.

Education:

My assumption was that it is important to increase the accessibility of low- income households to after-school learning, in order to lower equity issues. The education fever in Korea can hardly be tackled as it lies in their heritage of Confucian spirit. However, low-income households should also have access to higher-education. Affordable but high-quality after-school education could be offered by Social Enterprises to relax the strains on the family's budget. However it is important that the government seeks to support such institutions where high quality of education is assured. This would lower the high cost of education and people could afford to have more children, counteracting demographic transition. As we have seen in Fig. 12, only 43 SE's work in the field of education. Supposedly, just a few of them offer after-school learning and coaching. They rather educate in certain fields, like in the two cases I have visited "Green Culture Network" in the field of ecological education and "Organization Yori" in the field of cooking. I therefore conclude

that **Social Enterprises do not contribute much to the issue of educational pressure among young people**. However, this could be discovered as a marked niche for new social enterprises in future.

As we have explored, the **economic development of Social Enterprises is weak and further means of support have to be found**, including financial support. The financial support they receive is only for a short term of maximum 5 years. That is why social enterprises wish for a more effective business model. **Research on finding a more efficient model should therefore be emphasized**.

In long term, SEs need further indirect support on education, consulting, PR and financial support. It is important to develop a financial system for further development - not only by the government, but also by funding through the market. Finally, public knowledge about SEs and Social economy should be expanded.

Lastly, the performance of social enterprises is measured uni-dimensionally on the basis of their capacity to create jobs, this view can be an obstacle for innovation and hidden potential (Kim, S.-Y., 2009).

I therefore conclude that the innovation of civil society actors is still unexploited and great potential is still buried, waiting to be explored.

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8. APPENDIX

8.1. INTERVIEW PARTNERS

1. Kim, Jae-Gu
President of Korea Social Enterprise Promotion Agency
2. Lee, Chull-Young
CEO & Chairman, Social Enterprise Network
3. Jeon, Seong-Hwan
General Secretary of YMCA Cheonan/South Korea.
4. Visited Social Enterprises in Korea:
 - a. Organization Yori: Cookery school for troubled youth, profit through restaurants “Seullobi”, Seoul/South Korea
 - b. Arirang Fashion: manufacturing of clothes for wholesale purpose, employing women from North Korea, Seoul/South Korea
 - c. Mezzanine Ecowon: manufacturing of blinds and shades, employing North Korean workers, Gyeonggi/South Korea
 - d. Pab-San („Joyful Lunch Box“): Lunch box preparation, job creation for elderly and underprivileged people, commercial sales to companies and support of poor families; Cheonan/South Korea.
 - e. Book-Café: provides facilities and a café for surrounding non-profit-organizations and associations; Cheonan/South Korea.
 - f. Organic Honey and Bean Sprouts Farm, coalition of nine farmers in the Cheonan Area, creates jobs for people and supports poor families and schools with vegetable products.
 - g. Green Culture Network, social enterprise educating children and adults in the fields of ecology and nature, organizes excursions and walks in the countryside; Seoul/South Korea

8.2. ABSTRACT IN ENGLISH LANGUAGE

“SOCIAL ENTREPRENEURSHIP AS AN ANSWER TO SOCIAL ISSUES IN SOUTH-KOREA”

This master-thesis focuses on social entrepreneurship in South Korea, and explores the question whether certified Social Enterprises are able to alleviate social issues which South Korea is facing.

Social Enterprises in Korea have to be certified and are being supported by the government since the adoption of the "Social Enterprise Promotion Act" in 2007. They may not act profit – oriented and must explicitly pursue a social purpose. This involves the provision of jobs or social services to the socially disadvantaged. The goal is not only to create more jobs, but also to provide social services in order to relieve problems of an aging society.

As the number of certified social enterprises is growing, research efforts grow correspondingly. Scientific inquiry has been conducted mainly in the fields of business and management. Especially long-term sustainability and capital structure of social enterprises is being questioned by many scholars as social enterprises largely rely on government subsidies and lack market-driven investment from private investors (Moon, 2012). Therefore, interest is steadily rising among researchers in terms of performance measurement and sustainability (Jung, Seo, & Jang, 2013; Kim J.I. 2013).

Social enterprises can be used as a significant tool in fighting social and economic pressures and are offering one path to a healthy society and to social sustainability. In the present work, I analyze to what extent current certified social enterprises in South Korea have the potential of solving key social issues.

My research question therefore reads as follows:

Do Korean Social Enterprises have the potential of solving key social issues?

To see how social enterprises perform in Korea, I will answer the research question in two main parts:

1. The first part explores the social environment and institutional background in South Korea, detecting key social issues in society which can be tackled by social enterprises. These are issues relating to an *aging society*, the *employment market*, *education*, and corresponding challenges. Do social enterprises have the potential to tackle these issues?
2. Answering that question, the second part analyzes *the current situation of social enterprises in South Korea*. This explorative study is performed on the basis of literature and document analysis and my own field research through open interviews with decision-makers and interviews with social entrepreneurs in South Korea. The analysis of quantitative and qualitative data provides fundamental information on social entrepreneurship in Korea. I am introducing social entrepreneurship in its general importance and prominence in Korea by analyzing its potential of solving the three key social issues described above.

Since the topic of this thesis has not yet been elaborated in this form, I carried out an explorative study following four steps adapted from Schmidt, C. (in Flick et al., 2005, p. 448) as framework for my thesis.

1. Creation of Categories: examination of the material; categories are framed. These are three categories of framing social issues in Korean society: aging society, employment and education.

2. Analysis of data: qualitative and quantitative data collection through primary and secondary research: literature and document analysis, open interviews with decision-makers and interviews with social entrepreneurs in South Korea.
3. Description of examples: Seven concrete examples of Korean social enterprises.
4. Interpretation of results: Answering the research question whether social enterprises have the potential to solve social problems.

Result

Reviewing the purpose of this thesis, I examined three social issues, answering my research question:

Do Korean Social Enterprises have the potential of solving key social issues?

Social enterprises in Korea do already contribute a lot to society. However in view of the big social problems that plague the society and the economy they are like the famous "drop on a hot stone." This results from their limited number of about 800 companies and, despite a greater density of social enterprises in certain regions, the potential of social businesses is not yet fully exploited. My work revealed, firstly, that Social Enterprises find it difficult to gain access to funding and receive a low degree of recognition for their work among the public. Secondly, social enterprises have a weak position in the market and, therefore, are not very competitive.

To assist social enterprises in their early stage, these are primarily kept alive by government policies. Should the support by the government be eliminated, it is expected that in the face of a harsh market competition, existing social enterprises are in the long term forced to either leave their social purpose behind, or to fall back into their non-profit structure, from which many of them stem from.

In the areas of education and employment the potential is not yet exploited, even though social enterprises were, in the first place, introduced to tackle unemployment. However, they are not able to offer long-term, high-quality and high-paid jobs including welfare benefits,

therefore they are not attractive for the common and young workforce. Also the low number of existing social enterprises weakens their effectiveness.

In terms of *education*, I conclude that social enterprises do not contribute much to the issue of educational pressure among young people. However, this could be discovered as a marked niche for new social enterprises in future.

My assumption is, that it would be important to increase the accessibility of low-income households to after-school learning, in order to lower equity issues. Affordable but high-quality after-school education could be offered by social enterprises to relieve the strains on the family's budget. However, it is important that the government seeks to support such institutions where high quality of education is assured. This would lower the high cost of education and people could afford to have more children, counteracting demographic transition in future.

In terms of *aging society*, social enterprises showed their largest positive effect, since older people are often employed in social enterprises and, thus, their financial situation - especially in the view of the low pensions - can be improved. Also, there are many older people who benefit in particular from the services of social enterprises. However, there are just not enough social enterprises to make a big difference: by 2013, their number was much lower than planned. As of today, Social Enterprises are not yet able to tackle the big issues of an aging society. However, I still believe that, along with an appropriate framework, they have a high potential to do so.

Although the economic situation of social enterprises is still weak, they do show potential to alleviate the problems described above.

Therefore, an appropriate and efficient business model has to be developed that allows social enterprises to realize their full potential.

8.3. ABSTRACT IN GERMAN LANGUAGE

“SOCIAL ENTREPRENEURSHIP

AS AN ANSWER TO SOCIAL ISSUES IN SOUTH-KOREA”

SOZIALES UNTERNEHMERTUM ALS ANTWORT AUF SOZIALE FRAGEN IN SÜDKOREA

In der vorliegenden Arbeit werden Südkoreas soziale Probleme untersucht, und zertifizierte soziale Unternehmen als mögliche Antwort darauf betrachtet.

Soziale Unternehmen in Korea werden allgemein als „Social Enterprises“ bezeichnet, die seit der Verabschiedung des „Social Enterprise Promotion Act“ im Jahr 2007 von der Regierung zertifiziert und unterstützt werden. Sie dürfen dazu nicht profit-orientiert agieren, sondern müssen ausdrücklich einen sozialen Zweck verfolgen. Dies kann die Bereitstellung von Arbeitsplätzen an sozial Benachteiligte, oder soziale Dienste für selbige bedeuten. Ziel ist es, nicht nur mehr Arbeitsplätze sondern auch mehr soziale Dienste zu schaffen, um die durch Überalterung der Gesellschaft ständig wachsende Staatsausgaben im Bereich Vorsorge und Gesundheit zu entlasten und sozialen Problemen entgegenzuwirken. Zur Zeit bestehen ungefähr 800 solcher Unternehmen in Südkorea.

Bislang wurden akademische Forschungsbemühungen vor allem in den Bereichen Wirtschaft, Management und Nachhaltigkeit durchgeführt, da die langfristige Nachhaltigkeit und Kapitalstruktur von sozialen Unternehmen von vielen Wissenschaftlern in Frage gestellt wird. Artikel über soziales Unternehmertum sind in Südkorea größtenteils in den letzten 3 Jahren erschienen. Weitgehend sind dies Fallstudien und Untersuchungen der bisherigen Entwicklung.

Hingegen blieb die Frage offen, inwiefern soziale Unternehmen bisher zur Lösung der sozialen Probleme beitragen. Daher lautet meine Forschungsfrage:

Haben koreanische ‚Social Enterprises‘ das Potenzial, zur Lösung wichtiger sozialer Probleme beizutragen?

Die Beantwortung der Frage erfolgt in zwei Teilen, die gleichzeitig den Aufbau der Arbeit darstellen.

Der erste Teil beschäftigt sich mit dem sozialen Umfeld und dem institutionellen Hintergrund der Sozialpolitik Koreas, sowie die Erfassung wichtiger sozialer Probleme in der Gesellschaft, welche durch soziales Unternehmertum gelindert werden könnten. Diese Probleme stehen im Zusammenhang mit Koreas *alternder Gesellschaft*, dem *Arbeitsmarkt* und der *Bildung*. Diese drei Bereiche sind eng miteinander verknüpft und beeinflussen einander: z.B. Hohe Kosten für Bildung beeinflussen die Geburtenrate negativ; jedoch nur hohe Bildung garantiert gut bezahlte Jobs in einem großen Unternehmen; was wiederum zu einer Überqualifizierung der Bevölkerung führt, um sich im Arbeitsmarkt durchzusetzen. So dreht sich die Spirale weiter, die Geburtenrate sinkt während der soziale Druck durch Bildung und alternder Gesellschaft steigt. Kann soziales Unternehmertum dem entgegenwirken?

Als Antwort darauf analysiert der zweite Teil meiner Arbeit die derzeitige Lage sozialer Unternehmen in Südkorea. Diese explorative Studie wird auf Basis von Literatur- und Dokumentanalyse und eigener Feldforschung mittels offener Interviews mit Entscheidungsträgern und Interviews mit sozialen Unternehmern in Südkorea durchgeführt. Die Auswertung der quantitativen und qualitativen Daten soll grundlegende Informationen über soziales Unternehmertum in Korea geben. Beschrieben wird soziales Unternehmertum in seiner allgemeinen Bedeutung und Prominenz in Korea, analysiert nach deren Potential zur Lösung der oben beschriebenen sozialen Probleme.

Die Analyse wurde nach Schmidt, C. (in Flick et al., 2005, S. 448) adaptiert und in folgenden vier Schritten ausgeführt:

1. *Erstellung von Kategorien*: Prüfung des Materials; Kategorien werden umrahmt. In der vorliegenden Arbeit sind dies die in drei Kategorien gefassten Sozialprobleme der koreanischen Gesellschaft: alternde Gesellschaft, Arbeitsmarkt und Bildung.
2. *Analyse der Daten*: Qualitative und quantitative Datenerhebung durch Primär- und Sekundärforschung: Literatur- und Dokumentanalyse, offene Interviews mit Entscheidungsträgern und Interviews mit sozialen Unternehmern in Südkorea.

3. Beschreibung von Beispielen: Betrachtung von sieben konkreten Fallbeispielen koreanischer Social Enterprises.
4. Interpretation der Ergebnisse: Beantwortung der Forschungsfrage, ob soziale Unternehmen das Potential aufweisen, soziale Probleme zu lösen.

Ergebnis

Soziale Unternehmen in Korea tragen im Kleinen bereits viel zur Gesellschaft bei, in Anbetracht der großen sozial Probleme unter denen die Gesellschaft sowie auch die Wirtschaft leiden, ist jener Beitrag jedoch erst wenig bemerkbar, wie der berühmte „Tropfen auf heißem Stein“. Dies resultiert zum Einen schlicht aus ihrer begrenzten Anzahl von rund 800 Betrieben, die noch dazu über den gesamten südkoreanischen Teil der Halbinsel verteilt sind. Zum anderen weisen soziale Unternehmen eine geschwächte Stellung am Markt auf und sind daher kaum wettbewerbsfähig.

Zur Unterstützung in dieser frühen Entwicklungsphase werden Sozialunternehmen in erster Linie durch staatliche Maßnahmen am Leben erhalten. Sollte die Unterstützung wegfallen, ist zu erwarten, dass bestehende Sozialunternehmen dazu gezwungen sind, entweder ihren sozialen Zweck hinter sich lassen, um zu überleben, oder in ihre Non-Profit-Struktur zurückzufallen, aus denen die meisten von ihnen stammen.

In den Bereichen Bildung und Arbeit wird bislang wenig Potential ausgeschöpft. In erster Linie waren Sozialunternehmen von der Regierung dazu gedacht, viele Arbeitsplätze zu schaffen. Sie sind jedoch nicht in der Lage, qualitativ hochwertige und gut bezahlte Arbeitsplätze mit attraktiven Sozialleistungen zu bieten. Daher sind sie für junge Studienabgänger gänzlich unattraktiv.

Im Bereich Bildung könnten soziale Unternehmen allerdings besonders wirksam sozialen Problemen begegnen, indem sie günstige aber qualitativ hochwertige Bildungsmöglichkeiten anbieten, um Familien mit niedrigem Einkommen Zugang zu guten Universitäten zu ermöglichen. Dadurch könnten Ausgaben für Bildung gesenkt, und damit die Bevölkerung ermutigt werden, wieder mehr Kinder zu bekommen, um der Überalterung der Gesellschaft entgegenzuwirken.

In ihrem Beitrag zur alternden Gesellschaft ist der größte positive Effekt erkennbar, da oftmals ältere Leute in sozialen Unternehmen angestellt werden und dadurch ihre finanzielle Situation – vor allem in Anbetracht der geringen Pensionen – verbessert werden kann. Auch gibt es viele ältere Menschen die im Besonderen von den Diensten der Sozialunternehmen profitieren.

Zusammenfassend zeigt das Ergebnis der vorliegenden Arbeit, dass

- die wirtschaftliche Situation sozialer Unternehmen momentan zwar noch schwach entwickelt ist,
- sie jedoch tatsächlich Potential zeigen, die oben beschriebenen Probleme zu lindern.

Es sollte daher ein geeignetes, effizientes Wirtschaftsmodell entwickelt werden, das den Sozialunternehmen ermöglicht, ihr volles Potential auszuschöpfen.

8.4. CURRICULUM VITAE



PERSONAL DETAILS

Name MARIANNE FENBÖCK, BA
Nationality AUSTRIA

EDUCATION

- 2011 - ongoing** **Master programs:**
Master of Korean Studies
Master of Economy and Society of East Asia
- Japanese as language of favour
- 2008 - 2011** **Undergraduate Studies in Korean Studies**
Graduated: February 2011, Vienna University
Exchange student for 1 year at Seoul National University
Complementary study program: Japanese Culture
- 2007 - 2008** **Undergraduate Studies in Business Law**
Vienna University of Economics and Business Administration
- 2001 – 2006** **Private college for Languages and Economy**
with emphasis on Tourism Management
- 2000 – 2001** **Federal school offering specialised training**
Tourism Management (1 year program)

CAREER DETAILS

- Oct. 2013 - ongoing** **Tutoring Korean language**
Technical Assistant in Vienna for the “Global Korea Foundation E-school Project in Eurasia”
- Nov. 2011 - ongoing** **Research Assistant**
University of Vienna
Dept. Korean Studies
Institute of East Asian Studies
- April 2012** **CEEPUS III Mobility Grant**
Comenius University in Bratislava, Department of Languages and Cultures of the Countries of East Asia (Network No. CIII-AT-0604-01-1112)
- Summer 2011** **Internship „Hanwha Corporation“ South Korea**
Division „Defense Business“
Portfolio analysis and business planning
- since 2008** **Research Associate at „Initiative Future Association“**
Independent, private research organisation based in Vienna, pursuing pathways to social sustainability by advancing a social mission through an ongoing economic activity.

LANGUAGES

GERMAN	Mother tongue
ENGLISH	Fluent
KOREAN	Fluent
JAPANESE	Beginner
SPANISH	Basic user
FRENCH	Basic user