

Social innovation and social economy in Seoul

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I. Social Innovation and Social Economy

▶ What is Social Innovation?

1. Emergence of Social Innovation

- the crisis of dominant development model(a series of crises of economy, employment and social services in the late 20th century), and the social innovation was emerged through the social economy.
- In Korea, government-led, big business-focused industrial policies since the 1960s, neo-liberalism since the 1990s, the financial crisis in 2008 resulted in decrease in the middle class, social polarization and social safety network crisis

2. Social Economy

- Economy putting people over capital
- Activities conducted by the social enterprises, cooperatives, community businesses, self-support organizations in social services

What is Social Innovation?

3. Social Economy Considered as a Laboratory of Social Innovation

- ‘Social economy’ means the innovation of the existing model, as it rejects dichotomy between society and economy
- The social economy challenges the exclusiveness of the market in economic development and the central role of the state in social development.

4. What if the social economy lacks a vision of ‘another world’ ?

- The challenge of representation(extremely various legal structures, activity types, organizational methods and financial means)
- The danger of fragmentation and isolation(from the places where important decisions are made about the economy and society)
- It will serve to justify the social inequality and withdrawal of welfare state

Social Innovation and Social Economy in Seoul

1. New Approach of Mayor Park, Won-Soon: From the Above

- “The City of Cooperatives, Seoul” Declaration (2012)
- “The City of Sharing, Seoul” Declaration (2013)
- ‘Wonsoonomics’ pursuing “Sharing, Cooperation and Coexistence” (2014)

2. Dynamics of Korean Civil Society: From the Bottom

- Boom in Cooperatives(from 2012~)
- Active responses of the media and the civic groups to this boom

3. Establishment of Supporting Institutions: Political support

- Council for Social Economy of Local Governments
- Social Economy Manifesto from political parties

4. Distribution of Success Model:

Existing consumer cooperatives, social enterprises, community movement
+ new associations

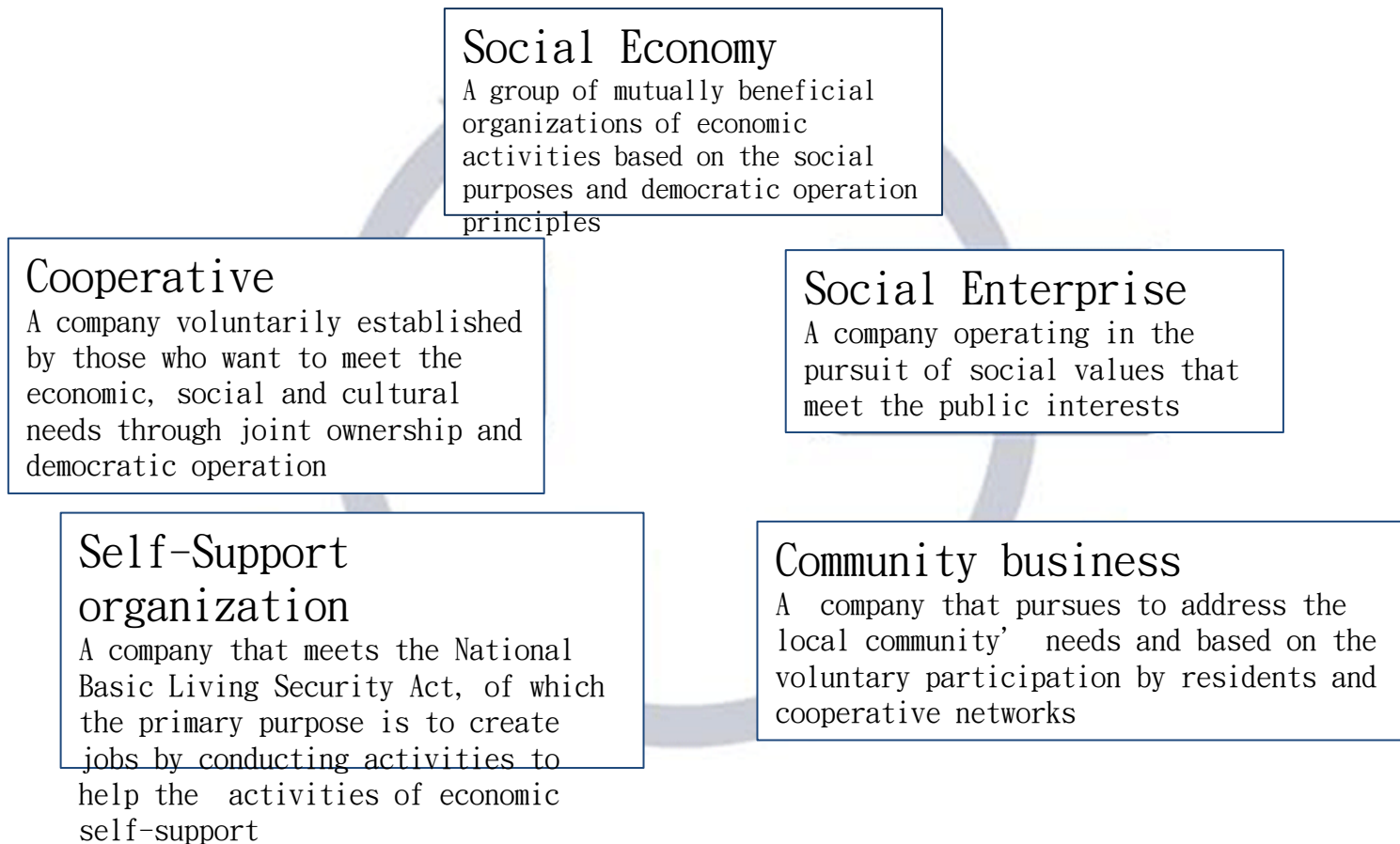
5. Still...

- it remained in periphery of economic activities
- What if a conservative politician will be elected to be the Mayor of Seoul..?

II. Social Economy in Korea

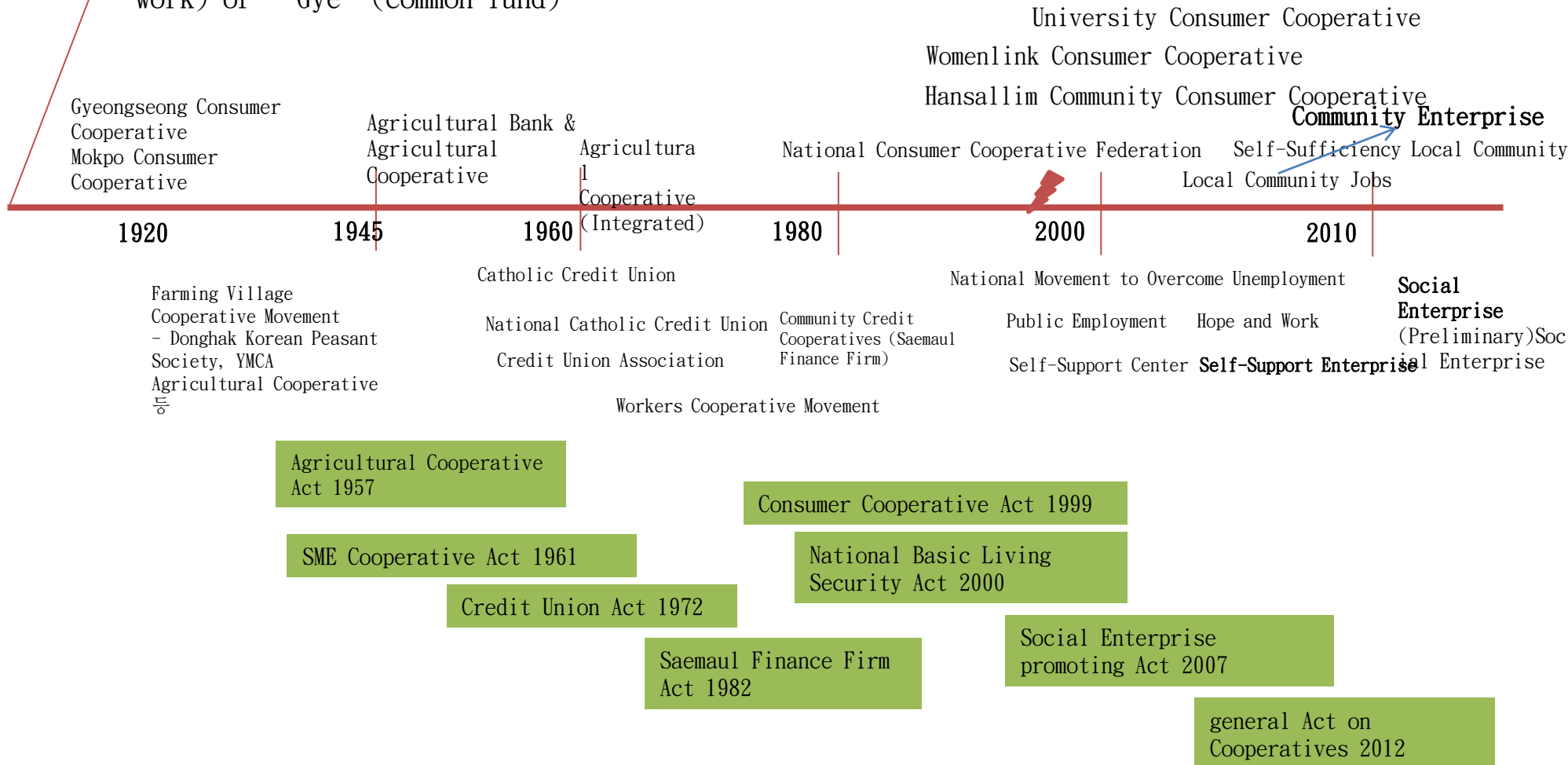
▶ Components

: Cooperatives, Social Enterprises, Community businesses,
Self-Support Organizations



History

A tradition to maintain the communities and strengthen people's unity by helping each other for communal works or events in the village such as 'Dure' (farmers' cooperation group), 'Pumasi' (exchanging work) or 'Gye' (common fund)



▶ Public-Civic Cooperation System of Seoul City

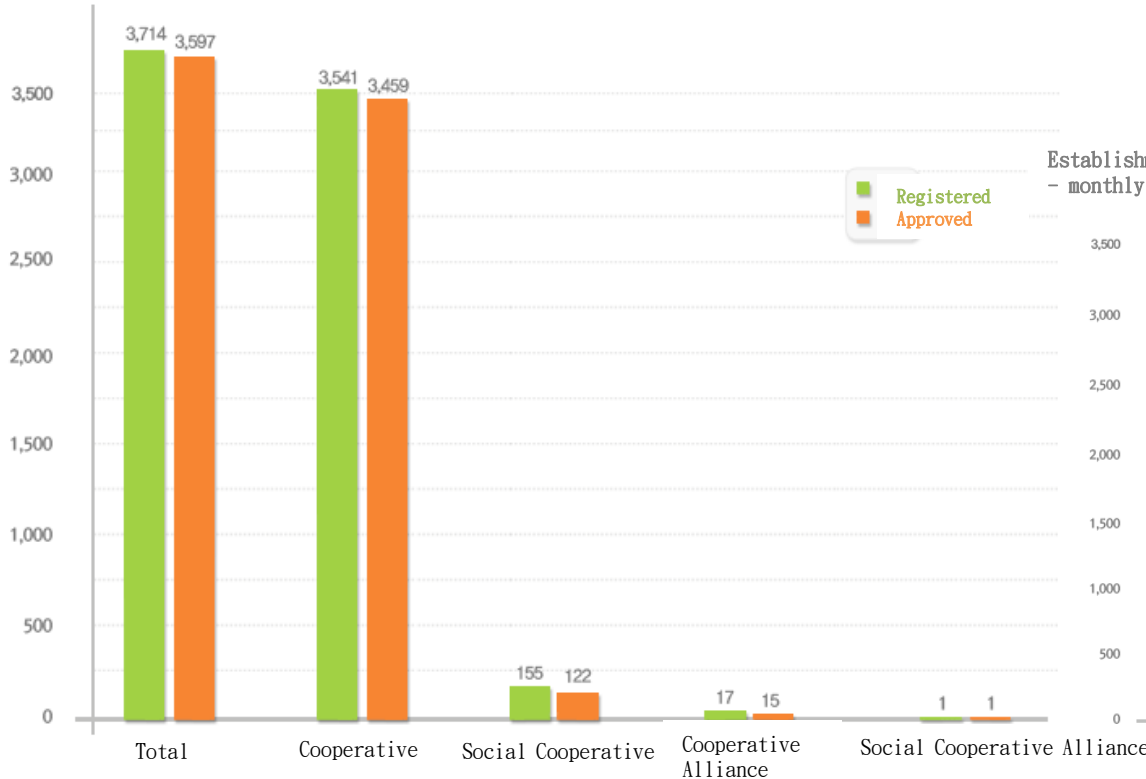
- Seoul City Government → Establish a division for social economy
 - Seoul Social Economy Center / Seoul Community Support Center
 - managed by intermediate civic support groups
- District offices under Seoul City → Every District Office has Division for Social Economy
 - Established social economy support agencies in each district
 - Local development/social welfare projects managed by social economy organizations
- 4 Cooperative Consulting Centers → Organizations related to existing cooperatives alliance and institutes
 - Public classes of co-ops and consulting on establishment of cooperatives
- Social Finance - Korean Social Investment (Seoul City + Private Companies: 100 billion KRW)
 - Financial support to social economy enterprises and projects
 - New social finance institutions to break through the limits of existing agricultural cooperative banks
and credit unions

▶ Cooperative

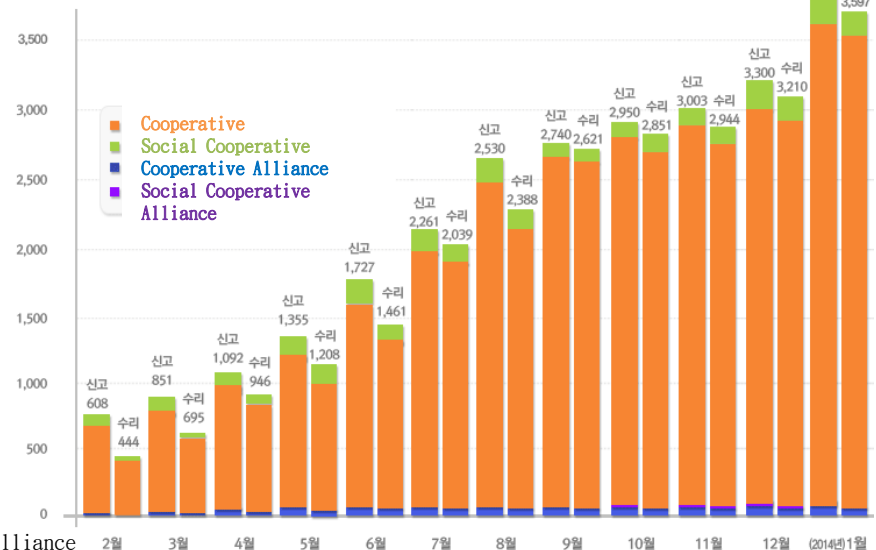
About 4,000 cooperatives were established in a year after the passage of the “General Act on Cooperatives”

(as of Jan/31)

▶ Establishment Status of Cooperative



Establishment Status of Cooperative - monthly accumulating



- Most of them are newly established (97.7%). Wholesale and retail industry accounts for high proportion (28.2%). Joint sales is the major way to create profits (51.4%).
- At the initial period of implementing the system, 54.4% of the cooperatives are operating their businesses. The average asset is about 40 million won.
- Annual number of members is 58.7. Annual number of employees is 5.83. 3.5 out of the employees are newly hired, showing that cooperatives have effects to create jobs.
- Necessary policies to promote cooperatives are investigated as putting priority over the public procurement market (31.5%) and establishing financial systems for operational expenses funding (23.8%)

▶ Cooperatives

General Act on Cooperatives (passed in the national assembly in Dec. 2011, enacted from Dec. 2012)

- Minimum 5 people are required to establish cooperatives
(cf. Existing cooperatives - 1,000 for local agricultural cooperatives, 300 for consumer cooperatives)
- Prohibited to organize Cooperatives in Financial and Insurance sectors



- Category: (General) Cooperative

Social Cooperative, and Alliances of each cooperatives

(General) Cooperative	Social Cooperative
(General) Cooperative alliance	Social Cooperative

Social Cooperative
 'A cooperative that is not involved in businesses related to improving interests and welfare of the residents or not-for-profit by offering social services or jobs to the vulnerable class'
 - Primary businesses account for over 40%. No dividend. Recovery of remaining assets to the society when dispersing cooperatives.
 - Social cooperative is stated as "not-for-profit corporation", receiving the tax benefit

- Partially Revised the Law (Jan. 2014)
 - Complemented some problems in the general Act on Cooperatives
- From the Above - policy drive of the government (central or local), active responses from the political community (establishment of law, election pledges)
- From the Bottom - dynamics of the civil society + support by existing consumer cooperatives + movement to renewal of public cooperatives



1. Dual Legal System:

- 8 Individual Laws since 1961 (Agricultural, Fisheries, Consumer Cooperatives...)
- General Act since 2011 (including cooperatives in any forms)

2. Consumer Cooperative Alliances

- Hansallim(cons. co-op)
- iCOOP(cons. co-op)
- Dure(cons. co-op)
- Happy Cooperative(cons. co-op)
- University Consumer Cooperative
- Medical Consumer Cooperative

3. Conversion: from Incorporated Company, Self-Sufficiency Organization to Cooperatives

- Happy Bridge - Food manufacturer and franchise restaurant
- Pressian - Online newspaper
- Some self-support agencies were turned into social cooperatives

4. Among New Cooperatives...

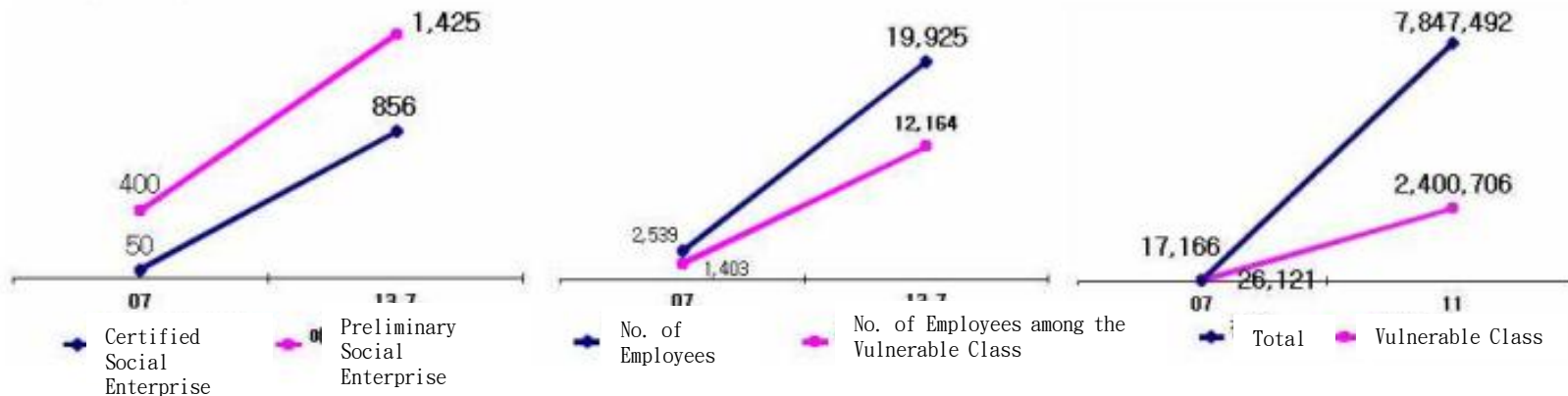
- Promotion of individual business cooperatives
 - reflecting the high proportion of self-employed (traditional market, individual)
- High interest in educational cooperatives - reflecting zeal for education and private education (English, history, science education...)
- Culture and Arts
- Specialists - Pilot coop, Hanok(Korean traditional house) co-op...

Social Enterprises

1. How many?

- 856 social enterprises (1,425 preliminary social enterprises) as of July 2013
 - Number of workers at social enterprises: 19,925
 - Social service beneficiaries: 7,847,000 in 2011

<No. of (Preliminary) Social Enterprise > <No. of Social Enterprise Workers> <Social Service Provision>



- Employees' satisfaction and protection by the social security system including four major public insurances is very high (insurance purchase rate of employees: general: 66.6%, SE: 96.8%)

Social Enterprise

2. Promoting Social Enterprises Initiated by the Government

- Background
 - Rapidly growing unemployment rate and intensified polarization since the financial crisis in 1997
 - Increasing demand for social services including aging, low birth rate and dissolution of traditional family structure
- Social Enterprise Certification System
 - Required to be certified by the Minister of Employment and Labor under the Social Enterprise promotion Act (Jul. 2007)
 - Type: job creation, social service, local community contribution, combined, other
 - Providing expenses for professional human resources, export market expansion, tax support and infrastructure of the certified social enterprises
- Support for the designated (preliminary) social enterprises
 - Temporary business assistance of the companies that fail to qualify the conditions for certification of social enterprise by each local government
 - Support for personnel expenses, integrated support agencies, project development expenses, management consulting, curriculum and fund investment

▶ Social Enterprises

3. Type of Social Enterprise

Welfare Care Service

Youth Social Venture Company

R&D Innovation



Dasomi Foundation



YMCA Seoul AGAYA



Gongsin



Cizion



▶ Current Status : Social Enterprise

3. Type of Social Enterprise

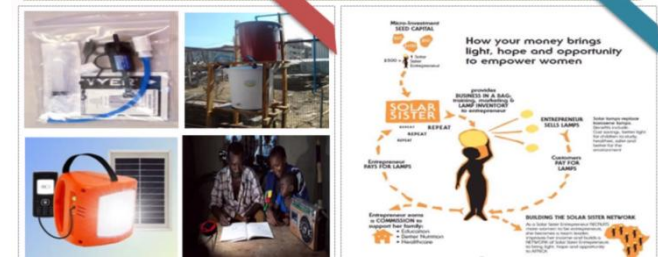
Work Integration



Cooperative



International Development Cooperation



Marketing, Design Innovation



▶ Self-Support organizations

1. What is Self-Support Enterprise?



- The Self-support work group operates projects of the local self-support center for 2-3 years.
- 247 local self-support centers serve as an incubator to help low-income residents including conditional beneficiaries and near poverty group obtain skills and licenses through various self-sufficiency projects
- Self-support enterprise is a foundation of social enterprises as a company that operates self-support businesses to overcome the poverty in the form of collaborative or partnership by cooperating each other with more than 1 person in the lower income class who meet certain conditions.

Self-Support Enterprises

2. Limits of Self-Support Enterprise

- Qualification for self-support projects:
 - need to recruit excellent workers
- Lack of funding
 - 80% of the government budget for self-support businesses goes to personal income, while 20% of the budget is business expenses.

▶ Self-Support Enterprises

◆ Comwin

A recycling company handling discarded electronic devices with 29 employees and about 2.5 billion annual sales



◆ Jakeunjari Local Self-Support Center

About 400 employees work in caring, house repair, cleaning, recycling, hairdressing and beauty with 7 billion annual sales



Community Businesses(Maul Enterprises)

- An enterprise in a village unit pursues to meet the demand of the community and deal with the local issues through voluntary participation of the residents and cooperative networks
- The difference of community enterprises from cooperatives and social enterprises is locality that seeks for promotion of local development based on the voluntary activities
- Community enterprises require at least 5 investors and that more than 70% of the investors and employees are the community residents, and should make profits using the local resources.
- Total of 787 community enterprises across the country as of 2012 with 6,533 employees (8.3 per company).
- 124 community enterprises in Gyeonggi province and 71 in Seoul.

III. Social Innovation in Seoul

▶ Mayor Park Won-Soon



Mayor of Seoul, Park Won-Soon (2011-present)

- 1956 Son of a farmer in Changnyeong, Gyeongnam
- 1975 Pro-democracy movement as a university student
- 1980 Human rights lawyer
- 1994 NGO "People's Solidarity for Participatory Democracy"
- 2000 NPO "The Beautiful Foundation"
- 2002 "Beautiful Store"
- 2006 NGO-Think Tank "Hope-making Institute"
- 2011 Mayor of Seoul





Novel Approaches of Seoul Mayor + Dynamics of social economy sector

- **Policy Direction**

- Make policies reflecting citizens' opinion.
- Openness of information and public facilities of Seoul city.
- Reform the window-dressing administration focused on large-scale civil engineering projects and construction.
- Improve quality of people's life and restore the ecosystem of the urban community.

- **Principles: "The City of Cooperation, Sharing and Coexistence"**

→between declaration and reality?

- **Experimental governance in civic-public partnership: Seoul Social Economy Center(2012-)**

→Managed by SSEN(Seoul Social Economy Network).

→Role: social and economic hub of Seoul

- **Dynamics of Social Economy in civil society**

- Explosive boom in establishing cooperatives
- Promotion of local community movement
- Active support of the local/regional governments to improve the social welfare system and create more jobs through social economy(support for various community projects, opportunities for cooperatives and social enterprises to participate in public procurement)

- **Social Innovation of Seoul: Accumulated capacity of civil society + new policy drive of Seoul City**

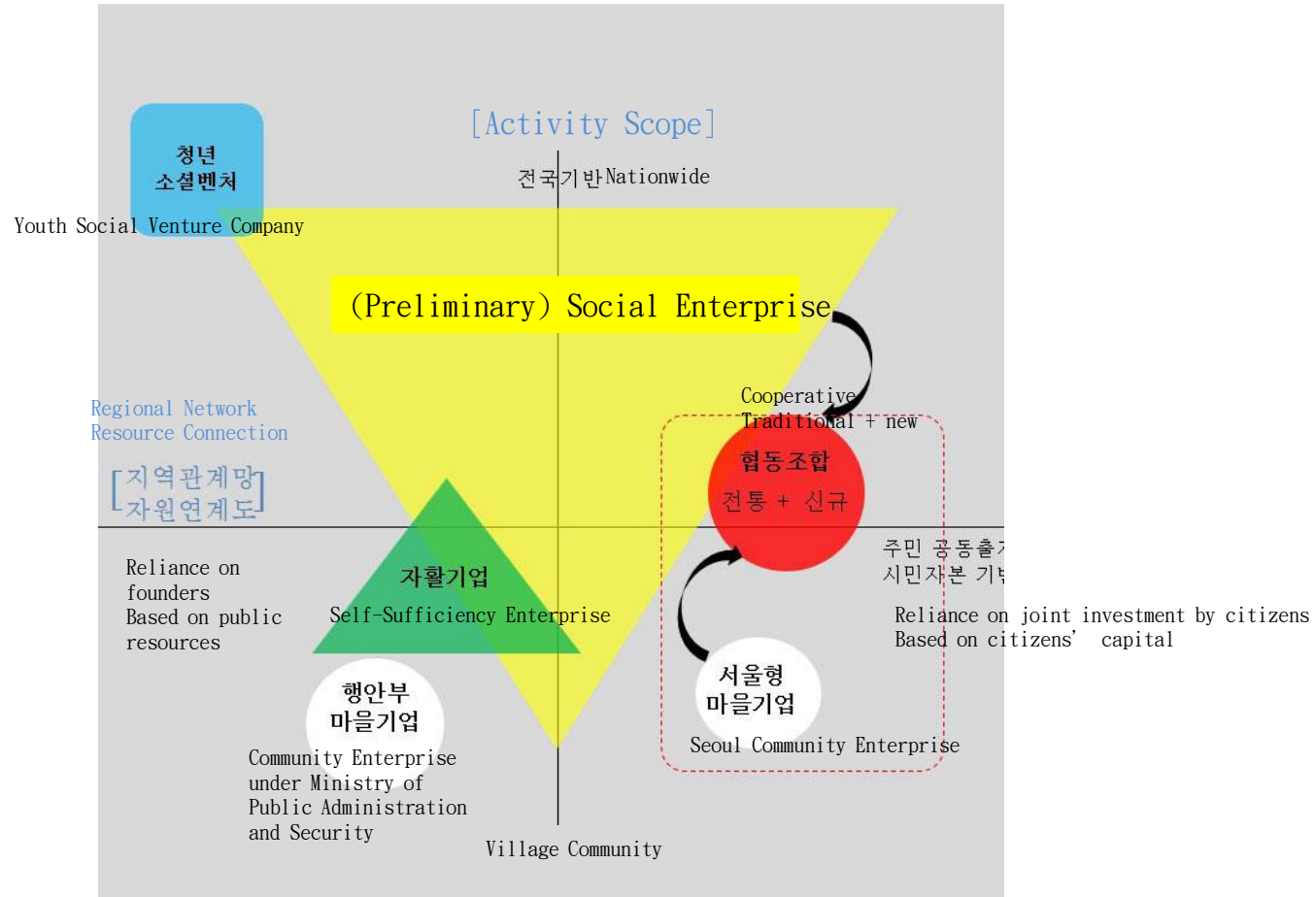
-The capacity of civil society accumulated during the process of democratization of Korea since the 1960s(esp. since 1980s)

-Business experiences of cooperatives, social enterprises and local community citizens' movement (since the 1970s)

-Seoul city and affiliated district governments under the new leadership set 'political discovery of social economy' and social economy itself as their major policy goals.

Favorable media reports are important.

Social Economy of Seoul



Category	Social Enterprise (Certified/Seoul/Regional)	Self-Sufficiency Enterprise	Community Enterprise	Cooperative	Total
No. of Companies	425	180	111	1063	1779

※ As of
Nov.
2013/
Source:
Seoul
City

IV. Implication for HongKong?

Thank you
