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THE RISE OF WORK INTEGRATION AND SOCIAL ENTERPRISE IN SOUTH KOREA

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ABSTRACT

In its first part, this article looks into the recent trends observed on the South Korean labor market stressing out that behind good general data –especially a low unemployment rate-, this market presents serious failures that explain the need for work integration policies. With a high proportion of non-salaried jobs and a high proportion of non-regular jobs among the salaried jobs, the Korean labor market has a high level of unsecured jobs that can turn more easily into unemployment, raise work integration problems, and then lead to social exclusion if combined with other welfare problems. In relation with its issue, the second part presents the organization and main characteristics of the recent work integration policies set up in South Korea: The National Basic Livelihood System introduced a few years ago and its statutory work integration dimension represents the first program of that kind built up so far in South Korea that led recently to the enactment on a law on social enterprise. Then the third part offers a discussion on the Korean approach of social enterprise in comparison with other experiences of social enterprise that have been developed, mainly in Europe, for the last 20 years and have gained a growing interest in Asia for a few years.

Key-words: social exclusion, work integration, social enterprise, social economy, labor policies, welfare

1. FUNDAMENTAL WEAKNESS OF THE LABOR MARKET

The main characteristics

Compared to other OECD countries, the Korean labor market presents a general situation that should envy many other developed countries, especially the European ones: As stressed out by the OECD PISA surveys and by most economic works following the theory of growth, the Korean education system is considered as one of the most performing to provide a human capital that seems a major and stable resource for the national economy with only 3 per cent of a generation not completing high-school (the highest rate in the world) and an unemployment rate has for long been kept steady under 5 per cent, and more often even under 4 per cent - at the exception of the two years that followed the late 1990's crisis (1998 and 1999) when it respectively reached 6.8 per cent and 6.3 per cent.

Table 1: General data

	2007	2006	2005	2004	2003	2002	2001	2000
Active population	24,300	24,000	23,743	23,417	22,957	22,921	22,471	22,134
Inactive population	15,000	14,800	14,557	14,300	14,383	14,042	14,108	14,052
Unemployed persons	780	736	887	860	818	752	899	979
Unemployment rate	3.2	3.1	3.7	3.7	3.6	3.3	4.0	4.4
Employment/ Population	60	59.9	59.7	59.8	59.3	60.0	59.0	58.5
Participation rate	61.8	61.9	62.0	62.1	61.5	62.0	61.4	61.2

Source: Korean National Statistical Office

After these two difficult years, the South Korean economy quickly recovered and the situation of the labor market rapidly improved until 2002. Then, as shown in table 1, the general situation on the labor market has been worsening for 3 years (2002-2005): The unemployment rate has steadily increased as well as the number of unemployed persons who were 135,000 more in 2005 than in 2002 (+18 per cent) and the employment/population ratio has decreased although it is still higher than it was in 2000 as well as the participation rate. During the two last years (2006-2007), the situation on the labor market improved again with a decrease of the unemployment rate flirting now with the 3 per cent level, and a decrease as well of the number of unemployed persons. In 2007, South Korea had the second lowest unemployment rate (3.2 per cent) among OECD countries after Norway (2.6 per cent). Regarding the quantity of jobs, the Korean labor market undoubtedly presents a good picture with one of the lowest unemployment rate among OECD countries. The picture is different if we look at the quality of these jobs.

A high proportion of unsecured jobs

A higher proportion of non salaried jobs can be considered as an indicator of an average lower quality of jobs as this kind of jobs are usually less paid and less generous in terms of social benefits and social protection. As shown in table 2, the Korean labor market is marked by a high rate of non salaried jobs -either self employed or unpaid family workers- that account for almost one third of the total employment. In comparison the average proportion of non salaried workers within the EU of 15 countries is twice lower (16 per cent) and ranges in most countries between 7 per cent (Luxembourg) and 17 per cent (Spain), with the exceptions of

Italy and Portugal (27 per cent), and Greece (40 per cent). This high proportion of non salaried workers reflects the managing practice of many Korea companies that make workers to retire at a relatively young age –between 50 and 55 for most of them. These workers receive when they leave a lump-sum that is often used to launch a business as they hardly cannot find a decent salaried job because of their age. As a consequence, the proportion of self-employed in the over 50 age group is close to 60 per cent whereas it is below 30 per cent for those under the age of 50.

Table 2: Employed persons by status of workers

	2007	2006	2005	2004	2003	2002	2001	2000
Total workers	23,582	23,303	22,856	22,557	22,139	22,169	21,572	21,156
Unpaid workers	7,426	7,561	7,671	7,663	7,736	7,988	7,913	7,795
Self-employed	6,035	6,121	6,172	6,110	6,043	6,190	6,051	5,864
Unpaid family workers	1,391	1,440	1,499	1,553	1,694	1,797	1,863	1,931
Wage and salary workers	16,156	15,743	15,185	14,894	14,402	14,181	13,659	13,360
Regular employees	8,790	8,367	7,917	7,625	7,269	6,862	6,714	6,395
Temporary employees	5,156	5,188	5,056	5,082	5,004	4,886	4,726	4,608
Daily workers	2,211	2,188	2,212	2,188	2,130	2,433	2,218	2,357

Source: Korean National Statistical Office, Korea Labor Institute

Among salaried jobs, a higher proportion of non-regular jobs is another indicator of an average lower quality of jobs. South Korea has also a very high proportion of non-regular salaried jobs compared to other developed countries. Measured by daily (less than 1 month contract) and temporary (less than 1 year contract) workers, this proportion is more than 45 per cent of salaried workers and about one third of all workers, to be compared with 24 per cent in a country like the United States where the labor market is considered as very flexible. Combined with the high proportion of non salaried workers mentioned above, South Korea has among OECD countries the lowest proportion of regular salaried workers that can be considered as an indicator of an average higher quality of jobs. After the 1998 tripartite agreement that allowed massive layoffs, many "secure" jobs had been replaced by daily and temporary jobs that are estimated to be paid some 25 per cent less than regular workers for the latter (OECD, 2005) partly because of very low social contributions. In the 2 years following the crisis (1998 and 1999), 210,000 regular jobs disappeared whereas 510,000 temporary jobs and 640,000 daily jobs were created. The share of regular workers that accounted for 54 per cent of salaried workers in 1997 decreased to 50 per cent in 2002. This substitution phenomenon explains for a large part the fast decrease of unemployment after the late 1990's crisis. Despite a remarkable improvement in the last years (it was 30 per cent in 2000), regular salaried workers still account in 2007 for only 37 per cent of the whole occupied active population (salaried and non salaried workers). With a high proportion of non-salaried jobs and a high proportion of non-regular jobs among the salaried jobs, one can argue that the Korean labor market has a high proportion of unsecured jobs that can turn more easily into unemployment and then social exclusion if combined with other welfare problems. And the

Korean labor market as a whole can be considered as a very flexible one, much more flexible than it has often been told in many economic surveys.

A very dualistic labor market

Data show that a big gap still exists in South Korea between men and women regarding access to jobs and moreover to secure jobs. In its *Economic Survey of Korea* (2005), OECD mentions that the participation rate of prime-age women in Korea is one of the lowest in the OECD area. In many developed countries the employment rate of women ranges between 55 and 65 per cent and even above 70 per cent in Scandinavian countries. In Korea this rate is only slightly above 50 per cent. However, even more than the employment rate itself, the deepest difference has to do with the permanency of women jobs. Whereas European data, for example, do not show a significant decrease of women participation rate according to the age, Korean data show a break around 30 years old. Before this age Korean women have a slightly higher participation rate as Korean men (47.5 vs 46.6 percent in 2006). Then the difference becomes huge in favor of men: Almost 40 points difference in the 30-39 years old bracket (93.8 vs 56.4 per cent), 30 points in the 40-49 years old bracket (93.8 vs 65 percent), and 20 points in the 50-59 years old bracket (85.5 vs 65 per cent). Although the proportion of young women leaving the labor force at the time of marriage and childbirth has fallen over time, many Korean women still hardly cannot enjoy a continuous working life and choose, or have, to quit their jobs when they marry, or more often when they get birth. Many Korean employers encourage this by refusing to respect the law on the maternity leave. As a result, after 30 years old, 35 to 45 per cent of Korean women do not work although most of them are not included in the unemployment data because they are not, or are not considered to be, in search of a job.

The poor participation of Korean women to the economic and politic spheres can be seen in the Human Development Index realized by the UNDP: Although Korea is around the 25th ranking for the global index (26th in 2007), it has a ranking above the 50th (64th in 2007) for the gender part of the index (*Gender Empowerment Measure*) with extremely low ratios for 2 sub-index: Female legislators, senior officials and managers (8 per cent) and Estimated female to male earned income (40 per cent). Despite a steady rise (from 35,000 in 2003 to 47,000 in 2006), female legislators, senior officials and managers are still more than ten times less than male (571,000 in 2006), but only half of them as unskilled workers, sales workers or service workers. On the contrary, women are over-represented in non-regular jobs: In 2004, only 37 per cent of female salaried workers were regular workers, compared to 62 per cent for men. Combined with the still limited coverage and benefits offered by the unemployment insurance scheme, the Korean situation of work based upon the model of a single income couple features a higher risk of social exclusion than the double income model as the couple cannot rely on a second income or on significant social benefits in case it looses one. This risk happened to be realized at the momentum of the economic crisis (1998). Moreover we have here a specific group (the women) who are in a situation of difficult access to secured jobs that could turn into social alienation, poverty, and social exclusion if combined with other social changes such as a rise of divorces emphasizing the necessity for more Korean women to work which is actually the case since 1998.

This dualistic labor situation raises both equity and efficiency questions about the Korean labor market. Unsecured jobs concern some 60 to 70 per cent of all Korean workers (all the daily and temporary salaried workers as well as a part of the non salaried workers) and creates the conditions for potentially more social exclusion all the more so since the social protection network is not developed enough and not working correctly to correct this precariousness of work. According to Jones (2005), a third of non-regular workers are not covered by any worksite-based social insurance system and data provided by the Korean Ministry of Labor

show even lower coverage rates. The proportion is especially high for the only unemployment insurance scheme: Besides the non-salaried workers who are by definition not covered, only 65 per cent of the eligible salaried workers and less than 55 per cent of all wage and salary earners are estimated to be actually covered. And for the eligible ones, the benefits offered by the scheme are still very limited in both length and amount: Less than 25 per cent of unemployed persons received unemployment benefits in 2004 and the out-of-works benefits (average of net replacement rates over 60 months of unemployment without social assistance) is six times lower in Korea than it is on average in all OECD countries and from 5 to 10 times lower than in European countries. That is to say that many Korean workers still have to rely on the familial solidarity and/or personal savings or face serious financial problems when they come to be unemployed. Behind the general data, the very characteristics of the Korean labor market include a significant risk of social exclusion that has long been neglected until it has been proved at the occasion of the 1997 crisis and led the South Korean government to install an extensive work integration scheme after the 1998 economic crisis.

2. WORK INTEGRATION PROGRAMS IN SOUTH KOREA

The dramatic situation that followed the 1997 crisis revealed the weakness of both the Korean labor market and welfare protection net. In favor of the tripartite agreement that allowed massive lay-offs in big conglomerates, many jobs were suppressed at that time resulting in a spectacular rise of the unemployment rate from 2 per cent at the end of 1997 up to 8.5 per cent at the beginning of 1999. Several signs of social dislocation suddenly appeared during this period: A rise of homeless people, of suicides, of divorces, and of over-indebted households. A large part of the poor and unemployed people did not get any benefits from the then very limited welfare system.

The Rise of a Concern for Work Integration in South Korea

After a few isolated "workers coops-like" pioneer experiences (workers coops still have no specific legal status in South Korea) in the early 1990's, the first organized answer to deal with the issues of unemployment and social exclusion erupted from the late 1990's crisis again came from civil society with the creation in 1998 of the *Solidarity to Overcome Unemployment* which gathered more than 40 civic groups engaged in the assistance to underprivileged. Then to deal with the sudden emerged problem of mass unemployment, the Korean government promoted public works programs that provided to their beneficiaries temporary jobs in exchange of a livelihood support. Government especially oriented its policy towards the promotion of "social jobs", term that appeared then for the first time on the official public agenda to design some jobs socially useful but without market profitability. However these public works programs did not succeed in creating stable jobs but only temporary and unskilled jobs. After 1999, the Korean government contracted out some 10 per cent of the public works to the civil society, a move that was in a sense the first organized partnership between government and civil society in the economic and social field and put the basis for the future development of work integration programs in Korea. At the same time began a more systematic thought on how to promote and encourage the creation of socially useful jobs that could bring an answer to the unemployment issue as well as to the need for a development of social services in relation with emerging social issues such as a fast ageing of population, a rising concern for environmental problems, or a growing demand for childcare.

The basis of the current Korean work integration scheme emerged with the enactment in 1999 of a more extensive general law to deal with social exclusion: The National Basic Livelihood System Act (*gukmingicho senghwal bojangje*) that applied in 2000. Holliday and Kwon (2007) argue that the NBLS has been "the most distinctive change in the entire reform package" that took place recently in South Korea and "posed the greatest philosophical

challenge" to what they call "the productivist welfare capitalism in Korea". The allowance is supposed to be given to any household which is living under an absolute poverty line defined according to the family structure: This line amounted to 1,1 million wons (1,100 US$) in 2006 for a 4 persons unit. It represented one third of the average urban income in South Korea (3,3 millions wons)[1]. What is more notable is that this level is higher than the Korean minimum wage[2] which raises the concern to generate work disincentive[3].

Like many other national basic incomes, the NLBS is a residual allowance that is to say that anyone with an income under this line can get the difference to meet the line. But supplementary criteria, especially the primacy given to the family support, exclude in fact many people from the benefit of the NBLS (an applicant is denied the NBLS if his/her family members are able to financially support him regardless of the real support he/she actually gets from them). Six years after its introduction (2006), the NBLS was covering some 1.4 millions persons, i.e. about 3 per cent of the total population which represented less than half the population under the poverty line.

Precisely the NBLS is a package that includes 7 monetary and non-monetary allowances in relation with several fields (health, education, housing, etc.), one of them is the work integration. According to the law, a beneficiary of the NBLS, if considered as able to work, must engage in a work integration scheme in order to get the full NBLS allowance. Otherwise the work integration part of the allowance included in the NBLS is supposed to be suppressed. In principle, this condition should deeply reshape the organization of work integration by including a compulsory work integration dimension for those recipients that are considered as able to work (according to the law, only certain categories of persons, especially heavy handicapped people, are considered as unable to work). In fact, a small portion -a little bit more than 10 per cent- of the beneficiaries of the NBLS who are considered as able to work are engaged in a work integration action.

How Works the Work Integration Scheme in South Korea?

With the introduction of a work integration dimension in the NBLS scheme, the Korean administration has set up the first large-scale work integration policy of its history. In the Korean administration terminology, work integration is referred as "self-help" or "self-sufficiency" (*jahwal*). This terminology has very close features with the American scheme of Self-Employment Assistance (SEA) which "is designed to encourage and enable unemployed workers to create their own jobs by starting their own small businesses" and "offers dislocated workers the opportunity for early re-employment" (Self Employment Assistance, 2008). However the two systems present two main differences: Whereas the Korean work integration is controlled by the central government and is part of the NBLS which is a national assistance scheme, the American SEA is a voluntary program organized at the local level of the States and mainly backed to the unemployment insurance scheme as generally "an individual must first be eligible to receive regular unemployment insurance under the State law in order to receive the benefits of the SEA" (Self Employment Assistance, 2008)

[1] In comparison, this ratio is a little bit higher at 38 per cent in France (11 000/30 000 euros yearly in 2006) but the French minimum income system also includes other social benefits (housing and health) that add to the allowance itself. And the data for France surely are more representative of the whole population whereas the Korean average urban income is mostly calculated upon the situation of regular workers that are far to represent the whole population of workers as we mentioned in part 1.

[2] Which itself does not apply to all jobs especially the many part-time jobs in services (restaurants, gas station, etc).

[3] A Korean Earned Income Tax Credit that will apply in 2009 could contribute to correct this hazard.

In the Korean work integration scheme, starting its own small business is designated as creating a self-help enterprise-SHE (*jahwal gongdongche*). But the majority of the participants engaged in a work integration process are not skilled enough and not well trained and prepared to create and run a self-help enterprise, which is true as well in the case of the American SEA as recently pointed out by Benedict and Habokyan (2008) who note that "the SEA program does not do enough to prepare its target audience for self-employment success". Most of the persons in work integration are rather engaged in a self-sufficiency work project (*jahwal geunlo*), that can be managed by either nonprofits or public agencies. The Korean terminology distinguishes here between two main kinds of self-sufficiency works: One called "up-grade" which has for aim the creation of stable and skilled jobs, and another one called "simple labor" which only aims to provide temporary and unskilled work to the most socially marginalized. Since 2002, the "up-grade" self-sufficiency work has been divided into two different sub-categories: The "market-type" (*sijang hyeong*) for activities that have the potential to find a market profitability, and the "social-type" or "public interest type" (*sahoe hyeong* or *gongik heyong*) for activities that cannot meet a market profitability but provide socially useful services to the community and then deserve to be supported, i.e. what was initially designated as "social jobs". Market-type programs, which aim at sustainable and viable work integration at short-term, are controlled by the Ministry of Labor, whereas other programs are under the supervision of the Ministry of Health and Social Affaires. Operation of the different programs has been for a part contracted out to specific nonprofit organizations called self-help support centers-SHSC (*jahwal hugyeon gigwan*) that are largely relying on public funding.

Every SHSC have primarily applied to the Ministry of Social Affairs in order to get an agreement and then to receive the major part of their resources from public subsidies through an annual financial budget allocated to carry on their work integration programs. For this reason they are very dependent and under the authority of the Ministry and hardly can enjoy a significant degree of autonomy. Their public is recipients of the NBLS that are engaged in a compulsory work integration effort as well as other persons who are voluntarily engaged in a self-employment effort although they are not eligible to the NBLS. An SHE can get a 3 years financial public support via the SHSC as well as a partial public financing of the wages.

The Main Data regarding Work Integration in South Korea

Regarding the work integration as a whole, there were in 2005 some 60,000 recipients of the different types of supports for work integration in Korea: More than 40,000 in the different public schemes organized by the central and local governments (including the public works programs), and some 20,000 in the different programs run by the nonprofit sector, i.e. the SHSC. About 37,000 out of the 60,000 were engaged in programs providing simple labor, more than 20,000 in programs providing up-grade labor (70 per cent social-type and 30 per cent market-type), and less than 2,500 persons in programs related to the operation of an SHE. It means therefore that less than 10 per cent of all recipients (some 5,500 persons engaged in market-type programs) were engaged in a work integration process aiming to provide them a sustainable and viable work integration. A few years earlier, in September 2002, the figures were 1,000 self-sufficiency work projects of the "up-grade" type nationwide with some 10,000 participants (40 per cent market-type and 60 per cent social-type). Between 2001 and 2006, an estimated 580 self-help enterprises have been created, among them some 350 are still operating (including 200 that were currently receiving a support in 2006), that is to say that among the 380 SHE that have lost any financial support, the survival rate is about 40 per cent (150) which is higher than for ordinary firms of the private sector.

Looking now specifically at the work integration action managed by the nonprofit sector, i.e. by the SHSC only, the 5 pilot self-help support centers created in 1996 enlarged to 20 in 1999

but these programs remained then very limited and focused only on long-term unemployed. Now the SHSC are almost 240 nationwide. Some of them are new structures created to deal with work integration whereas some other one are old Community Welfare Centers (quasi public NPOs) that have been used for long to deal with specific categories like the elderly or the handicapped persons. According to the Social Enterprise Development Agency (SEDA or *jahwal jeongbo senteo*), which is the entity representing NGO[4], the SHSC were running altogether in 2006 some 1,500 programs, three times more than in 2001. About 14,000 participants were engaged in these different programs, that is to say an average 10 persons by program which is an unchanged number since 2001. What has changed is the proportion of NBLS recipients among the total number of participants, which has decreased from more than 70 per cent to about 50 per cent. Less than 400 programs are related to the creation and operation of an SHE (some 2,300 participants) whereas some 950 programs provide up-grade jobs of market-type (40 per cent) or social-type (60 per cent) to about 12 000 participants, and some 150 programs are oriented towards the provision of simple labor to 3,700 participants.

Altogether the programs run by the nonprofit sector gather some 18,000 participants and represent 30 per cent of the total 60,000 persons engaged in a work integration process. The rest is engaged in public schemes and public works programs that are organized by central and local governments and focused on provision of simple labor. One can note that the contracting out of work integration towards the nonprofit sector, which was at 10 per cent in 1999, is now 3 times higher. It is interesting to stress out that women represent 80 per cent of all the participants in the SHSC programs and more than 95 per cent in specific fields like the care services. It reflects the fact that women, especially women in atypical familial situations (divorced women, widows or unmarried mothers), represent an important part of the poor and persons in a situation of potential or real social exclusion in the Korean society as we noted in part 1[5].

The major industries concerned by the work integration programs run by the nonprofit sector were in 2006 the following one: (1) The care services (especially services to elderly or to handicapped persons) that account for 25 per cent of the programs and 40 per cent of the participants; (2) The building and housing renovation for the poor (12.7 per cent of the programs and 8.6 per cent of the participants); (3) The agriculture and forest maintenance (respectively 9.4 and 9.1 per cent); (4) The services to enterprises (respectively 10.7 and 7.5 per cent); (5) The recycling of waste (respectively 8.9 and 7.9 per cent), (6) The cleaning services (especially in primary schools) with respectively 11 per cent of programs and 9.5 per cent of participants. The care services takes the lion share with some 7,500 participants in 450 programs, whereas each other industry mentioned has less than 2,000 participants in 150 to 250 programs.

3. SOCIAL ENTERPRISE IN KOREA AND IN EUROPE

The Conditions of Emergence of Social Enterprise in Europe

The average official levels of unemployment in the EU have been 1.6 per cent in the 1960s, 4.2 per cent in the 1970s, 9.2 per cent in the late 1980s, 11 per cent in the early 1990s, and 8 per cent in the early 2000s, that is to say much higher than in South Korea. Generally in Europe work has became more precarious, creating the conditions for social exclusion of disadvantaged in the labor market. This situation of persistent mass unemployment combined with a high long-term unemployment representing almost half the total unemployment in

[4] SEDA has disappeared with the reshaping of the system following the enactment of the law on social enterprise (see part 3).

[5] Women are also the major target of micro-credit programs such as those run by the Bank of Solidarity (*Hyeondae Eunhaeng*).

some European countries led to a growing acknowledgement that the traditional programs to struggle against unemployment had failed to make the necessary connection between training and employment. Then, throughout the European countries one has been witnessing for some 20 years the development of new work integration policies and the emergence of new organizations to deal with the problem of social exclusion. In most European countries, the process usually followed two stages: First the withdrawal of the State as a provider for welfare services, then the creation of welfare markets and the introduction of new providers in the field of welfare, what has been called the emergence of the welfare mix or the welfare pluralism in countries where the State is used to deal with most welfare issues.

Most of the new organizations that emerged in the European countries operate between the profit oriented private sector and the public sector as a part of a third sector of the economy, that is more often referred in Europe as the "social economy". They have been involved so far either in the delivering of welfare services (for example: childcare or care to the elderly) or in the work integration of disadvantaged or disabled people, sometimes in both of them together. For some ten years, one has been used to refer to these specific organizations as "social enterprises" to express their economic and social dimensions. A first survey realized at the end of the 1990's in 12 European countries brought the first in-depth knowledge on these organizations and put the basis for the definition of an ideal-type of the social enterprise (Defourny and Borzaga, 2001). This formulation, known as the EMES definition, stresses out 4 main economic factors corroborating its economic and entrepreneurial nature (a continuous activity producing goods and/or selling services; a high degree of autonomy; a significant level of economic risk; a minimum amount of paid work) and 5 major social factors expressing its social dimension (an initiative launched by a group of citizens; a decision-making power not based on capital ownership; a participatory nature, which involves the persons affected by the activity; limited profit distribution; an explicit aim to benefit the community).

For some 10 years, the social enterprise has been studied in depth by European scholars, especially the scholars gathered in the EMES network those works are for most of them available online[6]. According to their main conclusions, one of the main features of the European social enterprise is to be a voluntary organization emerging usually from the civil society, then often developing thanks to a resource mix including market resources, giving, voluntary work, and a public support through specific public schemes and sometimes enjoying a specific legal recognition. Several European countries have introduced a specific legal status for that kind of enterprises[7] and the UK even created a "Social Enterprise Coalition", a national body for the promotion of social enterprise that it defined as *"a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners."* (U.K. Department of Trade and Industry, 2002). Among European social enterprises, the work integration social enterprises (WISE) help to struggle against social exclusion in two ways: By providing jobs or training to unemployed people, and by providing a social assistance to those unable to come back to the labor market. It has played a prominent role in relation with the issue of work integration of socially and physically disadvantaged.

[6] See the EMES website: (http://www.emes.net/index.php?id=2).

[7] The social enterprise has been recognized as well as an important issue by the Harvard University with the creation of the Social Enterprise Initiative in 1993. However the approach is somewhat different from the European one as the relation with social economy is less emphasized. The SEI stresses out more broadly "the contributions any individual or organization can make toward social improvement, regardless of its legal form (nonprofit, private, or public sector)" and focuses more on the social responsibility of enterprises (http://www.hbs.edu/socialenterprise/).

Korean private organizations engaged in the field of work integration, namely the self-help support centers (SHSC) and the self-help enterprises (SHE), are for most of them nonprofits like most European forms of social enterprise. However, unlike many European work integration social enterprises, many of them hardly can enjoy a real and significant level of autonomy. The SHSC especially are too closely relying on local or central governments which give them approval and financial support. For this reason, these organizations are surely closer to the form of a quasi-public organization than to European social enterprises as defined above. The self-help enterprises, that do not have the same subordination link as the SHSC, represent surely a form closer to the European experiences of social enterprise and to the EMES definition of social enterprise. However it is difficult to say so far how much they meet the criteria of the EMES definition, especially that of democratic governance which is not a usual concept in the Korean corporate context.

The Korean Approach of Social Enterprise

After its emergence in Europe and its political and legal recognition in several European countries, the social enterprise concept has been gaining a strong acknowledgement in Asia: Several research projects in Japan have been dedicated to this topic for the last 5 years and two important international conferences on social enterprise have been organized in Taiwan in November 2005[8] and in Hong-Kong in April 2006[9].

South Korea as well has enacted in December 2006 a law on social enterprise (*sahoejeokgieop*) that became effective in July 2007. After the launching of vast public works programs during the two years that followed the economic crisis (1998-1999) and the introduction of the NBLS with a conditional clause that limits the benefits to those who are searching for a job or engaging in a vocational training, this law can be considered as the third step of the Korean policy for work integration of poor and disadvantaged people. This law has induced a reshaping of the work integration system: Self-Help Support Centers (SHSC) have became Local Self-Help Support Center (LSHSC) and the entity representing NGO, initially named Social Enterprise Development Agency (SEDA), has been renamed as Korean Local Self-Help Center (*hangukjiyeok jahwalsenteo heobhoe*)[10].

The different legal status and experiences launched in European countries (especially Italy, France, the U.K., Belgium) and in the United States during the last 20 years have served as references in South Korea to deal with the issue of unemployment and work integration and to shape the new law on social enterprise. The official website of Korean social enterprise[11] - which is a governmental website- claims this dual influence from Europe (mentioning experiences like the English *The Big Issue*, Dutch *Fifteen*, French *Envie*, or Italian *La Strada*) and from America (*Rubicon*, *Juma* or *Newman's Own* are presented as examples). Like in Europe, a social enterprise is a combination of an economic activity and a social purpose including such features as a democratic governance and an obligation to reinvest a part of the profits although a nonprofit legal status is not a compulsory condition. According to the Korean law, there can be three different types of social enterprise: Social enterprise for work integration (at least 50 per cent of employees must be disadvantaged persons), social enterprise for social services provision (at least 50 per cent of the recipients must be disadvantaged persons), and a mixed form of both.

With this new law, the South Korean administration aims clearly at going further in contracting out work integration and social services provision towards the private sector –

[8] Information available online: http://lemeeting.tier.org.tw/
[9] Information available online: http://www.seconference.gov.hk/index.html
[10] http://www.jahwal.or.kr/tt-index.asp
[11] http://www.socialenterprise.go.kr/

either forprofit or nonprofit- by encouraging and subsidizing successful social entrepreneurs. Il also aims to extend the resource mix by raising more funding from big corporations in line with the American approach of social enterprise based upon the social responsibility of enterprises. *Kyobo, Hyundai Motors* and *SK Telecom* (respectively domestic leaders companies in the fields of insurance, automobile, and telecom) are some Korean private companies that have already offered a financial support to social enterprise initiatives. At the end of 2007, 55 social enterprises had been created under the new legal framework and generated some 2,550 jobs[12]. Some of them (about 15) were previous self-help enterprises that choose to change their legal status in order to get a greater autonomy and stability. Indeed one can reasonably expect that the new legal status of social enterprise will help to stabilize jobs created in the self-help enterprises that are for most of them still neither stable nor well paid enough and then do not allow to escape from a situation of poverty or precariousness. On the other hand, one can observe a rise of forprofits among the latest creations of social enterprise which can raise the concern for an exploitation of the law in order to operate a profit-oriented activity.

4. CONCLUSION

The trend to job substitution and job casualization observed in South Korea in the years following the 1998 crisis has partially disappeared as shown by the increase of regular workers since 2000 to reach 54 per cent of all salaried workers in 2007, that is to say the pre-crisis level. However the Korean labor market continues to offer a dualistic picture between regular salaried jobs which enjoy high salaries and a good protection including different sorts of social benefits but still represent the minority of the total employment, and non regular salaried and non-salaried jobs which often offer precarious conditions, and very limited protection and social benefits and represent the majority of the total employment.

To face the problem of unemployment and poverty, the Korean administration has installed in 2000 a National Basic Livelihood System with a work integration dimension focusing on self-help employment and the creation of social jobs. Work integration programs aim at bringing back on the labor market those who have no job and therefore are part of an active policy of work rather than of a social policy geared towards a diminution of poverty and/or social exclusion. The conditional clause that limits the benefits of the NBLS to those who are searching for a job or engaging in a vocational training matches the neo-liberal credo that unconditional social benefits could act as a work disincentive and have a negative impact on the labor market and economic growth, and is in accordance with the main logic of the developmental welfare state as formalized by Holliday. These programs have failed so far to offer stable and skilled jobs that would allow their recipients to escape from poverty. Therefore one can not observe a decrease of poverty in South Korea in the recent years: The poverty rate as based upon 50 per cent of the median income has been increasing since 2002 from less than 10 per cent (2002) to almost 12 per cent (2005) which is lower than in the United States (17 per cent) or in Japan (15 per cent) but higher than in most European countries[13]. And the Gini index of South Korea, as measured in the *CIA Worldbook*, rose from 31.6 in 2004 (which was already the level in 1998) to 35.1 in 2006, which is lower than other North-East Asian countries (38 in Japan, 44 in China) but higher than most Western European countries (28 in Germany or France, 32 in Spain or 33 in Italy).

[12] They were 84 for about 3,300 jobs at the latest inventory we had in May 2008.

[13] According to a poverty line defined as 60 per cent of the median income, as it is widely acknowledged in European countries, more than 18 per cent of the South Korean population was considered as poor in 2005 whereas it was less than 16 per cent in 2002. Compared to European countries, South Korea ranked at the same level as United Kingdom but higher than Germany, Belgium (15 per cent), France (12 per cent), and Scandinavian countries (11 per cent).

In 2007, the Korean administration enacted a law on social enterprise with the aim to bring an answer to both the problems of social services provision and unemployment of the disadvantaged. In line with the long tradition of strong State in Korea, the administration keeps a closed control on the work integration scheme and the different structures involved via an approval process. In the view of the Korean administration, social enterprise is perceived as an interesting tool featuring two major qualities: (1) A potentially effective entrepreneurial form to provide outside of the public sector an answer to the growing need for social services emerging from cultural and demographic trends that is facing the Korean society (i.e. ageing of population, rise of working women, transformation of the traditional familial solidarity process, etc); (2) A potentially effective way to create job and then contribute to tackle the problem of unemployment and improve labor market flexibility by turning unemployed into self-employed. One can find in this approach an influence by both the European experiences of work integration social enterprises, where civil society and social economy have played a prominent role in a move towards a welfare mix approach, and the American model of SEA which is likely a top-down policy inspired by a more neo-liberal approach of welfare schemes and governed by an ideology of workfare. This new legal framework can probably contribute to improve the quality and stability of jobs although the rising number of forprofits among the newly created social enterprises indicate a possible exploitation of this status by organizations more concerned by making profit than contributing to the work integration of the most disadvantaged and the fight against social exclusion and poverty.

To deal with the accumulation of welfare problems that characterize social exclusion as defined by Paugam (2005) requires complex and tailor-made answers that have to do with unemployment or inability to work, but also with physical health, psychological distress, or problematic familial situation. Matching these different issues together probably would imply, as recently suggested by Hallerod and Larsson (2008), "to measure poverty in a more accurate way than is usually the case" and "not to rely on available income data only". The Korean approach tends to limit the problem of exclusion which is a multidimensional one to a problem of poverty with only a monetary dimension and therefore the programs set up so far in the work integration scheme do not have the requested complexity or diversity to bring an efficient answer to the most disadvantaged persons in a situation of social exclusion. It certainly provides a useful answer to some people, but this answer remains globally an insufficient and imperfect one in terms of unemployment and training and does not bring an efficient solution to the problem of the working poor, the one who have a job but cannot enjoy decent living conditions. Above all it does not bring an appropriate answer to people who are de facto unable to work for psychological or physical reasons although they are not legally considered as unable to work as handicapped persons.

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