If not for profit,
for what and how?

SOCIAL ENTERPRISE

Conditional Convergence of Social Enterprises in Japan and Korea

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1. INTRODUCTION

Over the past two decades, Japan and Korea have rapidly deindustrialized, and the percentage of employees in manufacturing has decreased remarkably. Not only have their economies transformed, but their populations and social structures as well. Inequality has expanded, their populations have rapidly aged, irregular employment has been replacing regular employment, and nuclear families have been dissolving. Other advanced countries have faced similar changes previously since the 1970s. A concept of "social exclusion" has been widely used in this situation. Governments and civil societies have tackled these new challenges and implemented structural reforms to replace old welfare systems and social regimes. Work integration social enterprise (WISE) is an example of one of these efforts to create new jobs and provide employment services for the unemployed or disadvantaged people.

Up until the mid-1990s, the governments of Japan and Korea were reluctant to expand social expenditures. High economic growth, low unemployment rates, relatively equal market distribution justified these policies. Instead of governments, workers' families, namely women, have provided care services to their husband, children, or elderly people in the household, and private companies have offered basic benefits to employees. After the economic crisis of the late 1990s, however, homeless populations increased sharply in Tokyo and Seoul, young people faced tough labor markets, and more and more workers lost their jobs. The welfare regimes of both countries required large reforms to deal with these challenges. Under the old regime, poor people were thought to be unable to work, and public assistance targeted mainly this group, such as the elderly, disabled, injured, and sick. After the crisis, however, even those who can work or are working are likely to be poor. Existing welfare services were not ready to provide employment services and create jobs. WISEs are recognized as one of the measures to tackle this problem.

While social enterprises have become increasingly popular, their public policy roles in Korea and Japan differ, just like the difference between US and Europe (Kerlin 2006, Nyssens 2010). The first object of this paper is to compare and contrast Japanese and Korean social enterprises. For that purpose, we classify social enterprises into two types, Social and Community Business, and WISEs.

Japanese social enterprises first appeared during 1970s to 1980s. They have shown various styles, including community businesses, workshops for disabled persons, workers' collectives and workers' cooperatives. Generally they have aimed at providing unmet services in communities and flexible workplace conditions for married women or elderly people as alternatives to general labor markets. These social enterprises belong to Social and Community Businesses.

In general, Japanese social enterprises have had longer histories and more employees, at least before the Social Enterprise Promotion Act (SEP) in Korea in 2006. The Korean government did not enact this Act without any social foundations. Many key people who work in certified social enterprises have experiences of workers' co-operatives in poor communities during the 1980s to 1990s. In Seoul, urban squatter areas remained until the beginning of the 1990s and worker cooperatives were established around them to provide stable jobs for the working poor. Thus WISEs have been dominant in Korean social enterprises.

Interestingly, while the fundamental concepts which prevail in both countries still show significant divergence, we identify a converging trend of their expected roles in public policy after the financial and economic crisis in 2008. Japanese social enterprises have had great interest in community activities from the start. With the remarkable increase of working poor during the last decade, however, the government began to engage in tailor-made employment assistance and more and more worker cooperatives and NPOs have been participating in these programs.

In Korea, the main aim of SEP was to provide jobs and social services to the poor originally. The central and local governments, however, have been enhancing community revitalization using social enterprises, which targets all residents, not only the poor. This tendency reflects the transformation from a manufacturing-based economy and the increasing decentralization of the two societies.

Defourny and Kim (2011) argue that "the East Asian social enterprise overall landscape is clearly marked by a strong and region specific influence of state policy and that it is also moving towards an increasing role of civil society" (Defourny and Kim 2011, 24). Historically speaking, however, central governments have tried to institutionalize the preceding experiences of grassroots movements in civil society. The problem is that government projects often become considerably different from the model of grassroots movements. This gap exists behind repeated conflicts and reforms of related policies. The second objective of this paper is to show this process by analyzing the historical development of social enterprises. Governments have reasons to institutionalize rapidly, although social conditions are still not mature enough. This is not merely because civil society is weak. The Japanese and Korean industrial structures have been transforming very rapidly compared with the experience of US and European countries. Previous studies call this "compressed development", with which social and population structures have also rapidly changed. Governments have been forced to deal with these circumstances even before social conditions matured. This is a negative aspect of compressed development.

In the next section, we show the industrial and social transformation of both countries and how the redistribution effects of their public policies are weak statistically. In the third section, we classify social enterprises and identify converging trends. In the fourth section, through the analysis of historical development of some cases, we present the historical dynamics of social enterprises in the region. We conclude this paper by discussing how social enterprises should be positioned in public policies.

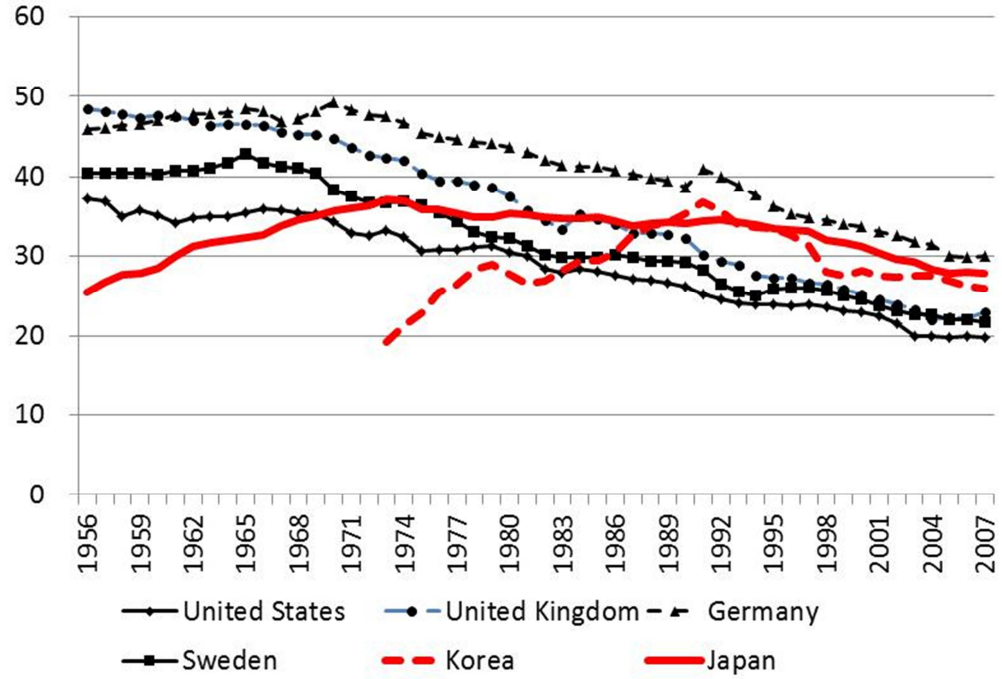
2. COMPRESSED DEVELOPMENT OF ECONOMY AND SOCIETY

Figure 1 shows the share of civilian employment in industry among total civilian employment. Shares of the United States, the United Kingdom, Germany, and Sweden began to decline in the late 1960s. The Japanese industrial share increased during the 1960s, reached its peak in the early 1970s, and then started declining. But the pace was very slow. This indicates a strong competitiveness of the manufacturing industry in Japan during this period. Since the early 1990s, however, the number of employees in manufacturing has decreased by about 5 million. Korea shows a more drastic change. Until the early 1990s, the employment share of the industry has grown remarkably and declined sharply as soon as it reached its peak.

As in other advanced economies, inequality has expanded in both countries in accordance with deindustrialization. The GINI coefficient based on disposal income in Japan declined to a bottom of 0.3143 in 1981, and then increased to 0.3873 in 2005[1]. That of Korea also tended to increase from 0.231 in 1992 to 0.270 in 2007[2].

[1] Ministry of Health, Labor, and Welfare, *Survey on the Redistribution of Income*.
[2] Data based on the disposal income of wage earner urban household excluding single member household. National Statistical Office, Report on the Family Income and Expenditure Survey.

Figure 1 : Share of civilian employment in industry as % of civilian employment

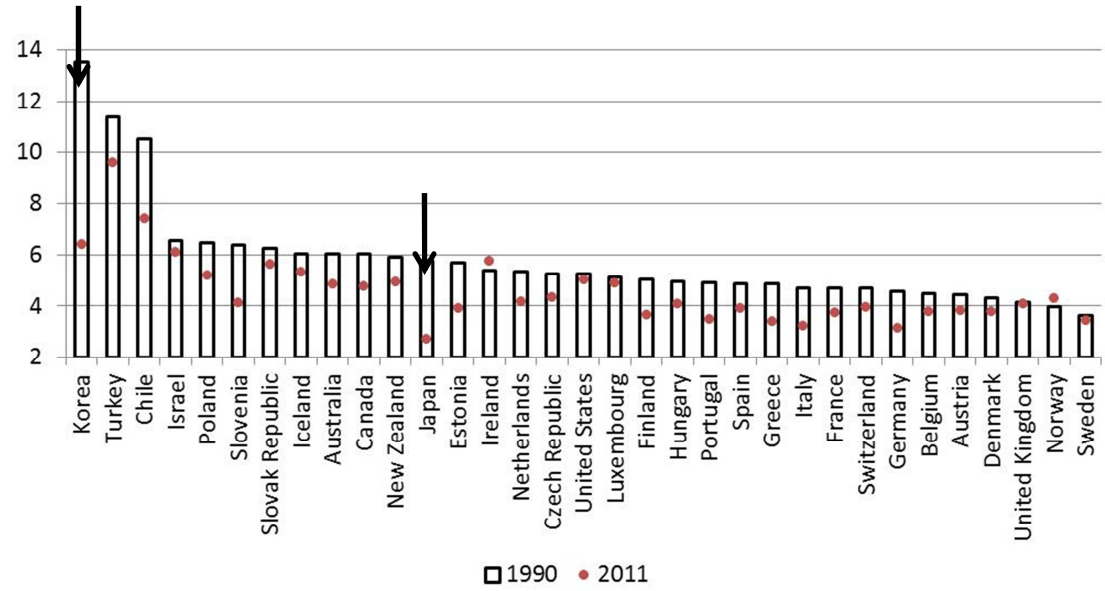


Source: OECD, Annual Labor Force Statistics database.

Figure 2 indicates the number of persons of working age (15 to 64) per person of pension age (over 65). This statistic is important because it is related to the financial sustainability of pension and medical insurance, and a lower dependency ratio gives high growth potential to the economy. In 1990, Korea showed the highest number of people, and enjoyed rapid economic development over this period. In 2011, however, the number dropped drastically, although its level is still higher than the other countries listed. The number in Japan also declined and its level is the lowest because of its rapidly aging population and decreasing number of children.

In both countries, there are more and more single member households, and this has led to various welfare issues in the community which did not exist beforehand. Many old people are left isolated without any help from the neighborhood, and many young people who fail to find jobs lose self-confidence and never leave home for a long time. The share of single member households among the total in Japan has risen from 15.8 percent in 1980 to 29.5 percent in 2005, and that in Korea from 4.8 percent in 1980 to 20.0 percent in 2005. Compressed development has occurred not only in the economies, but also in the societies of the region.

Figure 2: Working age (15-64) per pension age (over 65), persons



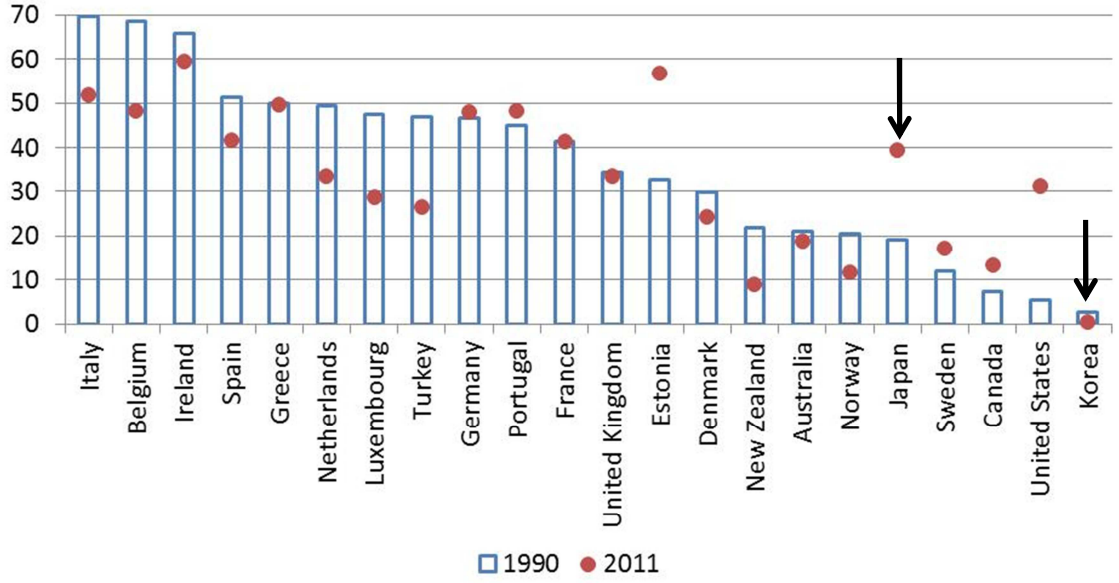
Source: OECD Demography and Population database.

It is true that the unemployment rates of both countries have been much lower compared to other advanced countries. According to the OECD database, the unemployment rate among the civilian labor force in 2009 was 5.1 percent in Japan and 3.6 percent in Korea, while 8.1 percent in the total of OECD countries. Figure 3, however, indicates changing situations in their labor markets. In 1990, the share of long-term unemployed among the total unemployed was significantly low in both Japan and Korea. In 2011, it jumped to around 40 percent in Japan, which is more than that of the United Kingdom, although in Korea it is still negligible.

Figure 4 shows us a different aspect of Korean society. The figure presents the share of people who have experienced persistent poverty over 3 years. The poverty threshold is set at 50% of the median income in each country's dataset. We use two datasets for Korea, and both indicate a significantly high poverty rate. The Japanese rate is positioned in the middle of the listed countries.

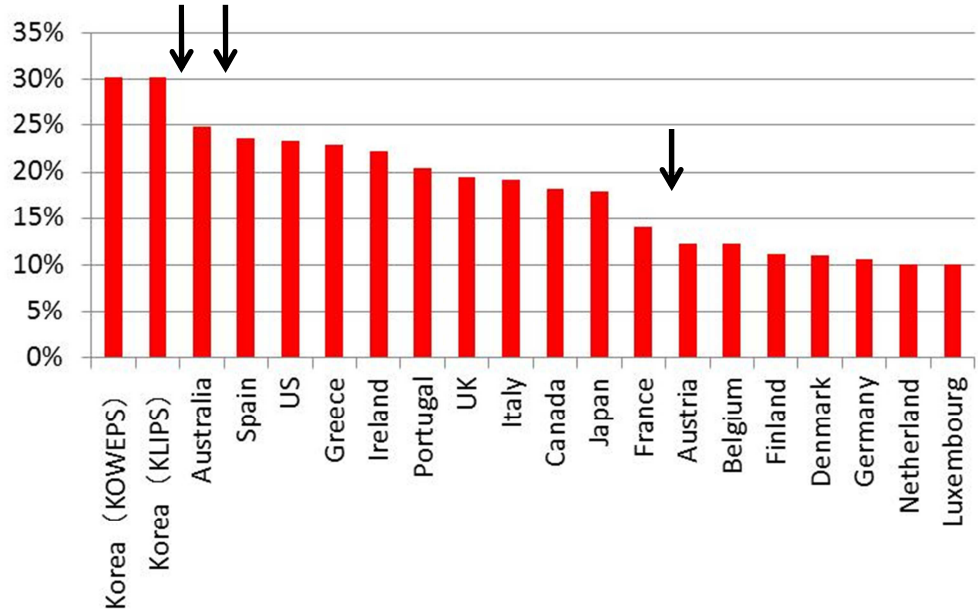
One of the reasons for such a high rate in Korea is suggested on Figure 5, which shows public social spending as a share of GDP. The share in Korea is the lowest among the listed countries during the 1990s, and still the second from the bottom in 2009, although it has increased over 2 times. Social spending in Japan has also grown greatly during the same period, but its level is lower compared with other countries.

Figure 3: Share of the long-term unemployed in percentage among the total unemployed
Over one year of unemployment



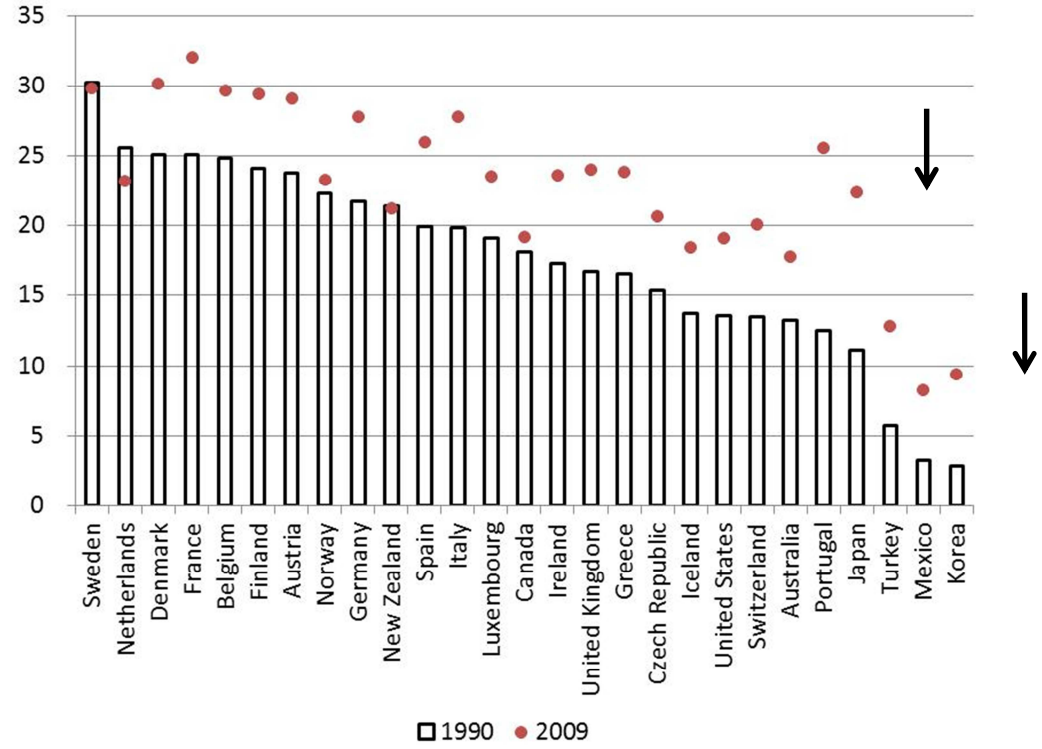
Source: OECD, Annual Labor Force Statistics database.

Figure 4: Share of people experience persistent poverty
Poverty threshold set at 50% of median income, experience during three years, in percentage



Source: For Japan, data refer to 2005-2007 and are based on the Keio Household Panel Survey. For Korea, data refer to 2005 to 2007 and 2006 to 2008, and are based on the Korea Labor and Income Panel Study (KLIPS) and Korea Welfare Panel Studies (KOWEPS), respectively. Data of the other countries are based OECD (2008).

Figure 5: Public social spending in percentage of GDP

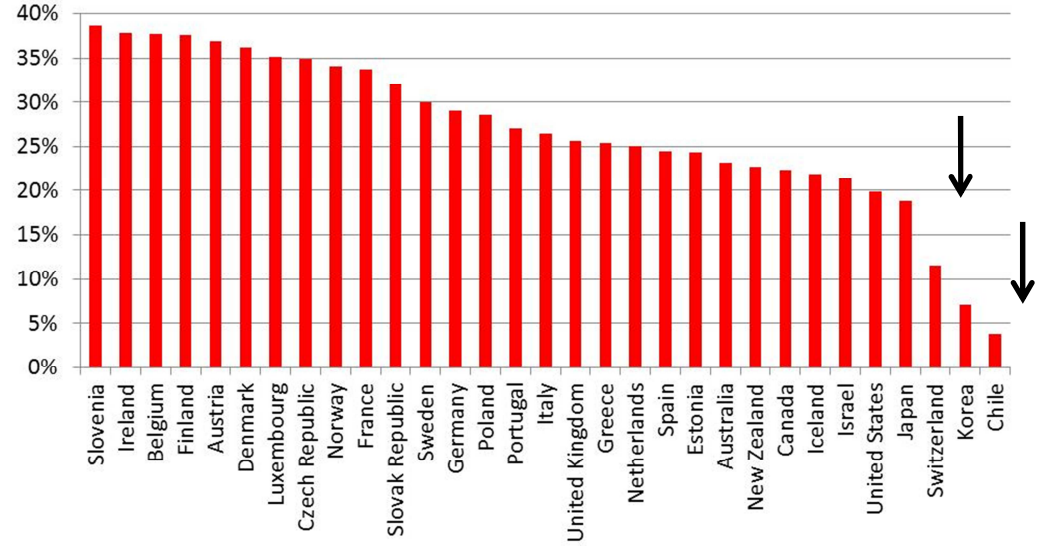


Source: OECD Social Expenditure database

Figure 6 shows the redistribution effect of tax and public transfers, which is calculated as the change rate of GINI coefficient before and after taxes and public transfers. Effect levels of Japan and Korea are significantly lower among the listed countries. It indicates the redistribution of tax and public transfers in both countries do not function well (Goishi 2011).

Figure 7 presents the share of recipients of unemployment benefits among the total unemployed in Japan and Korea. Unemployment insurance was introduced in 1995 in Korea, and before the economic crisis of the late 1990s, its coverage was very limited, under 5 percent. Japan introduced unemployment insurance in 1947, and the recipient rate was much higher than in Korea until the end of the 1990s. Since the early 1990s, however, long-term unemployment has increased greatly, and this has led to the decline of the recipient rate, because the maximum duration of receipt is set at 330 days in Japan.

Figure 6: Redistribution effect of tax and public transfers
(GINI post taxes & transfers – GINI before taxes & transfers) / GINI before taxes & transfers



Note: Data of Australia and US as of 2010, and the others as of 2009.
Source: OECD Income distribution and Poverty database.

Figure 7: Share of recipients of unemployment benefit among the total unemployed in Japan and Korea

Source: Japan: Ministry of Health, Labor, and Welfare, *Unemployment Insurance Annual Report*. Korea: Korea Employment Information Service, *Annual Report of Unemployment Insurance Statistics*.

The Korean government faced massive unemployment during the late 1990s, and conducted radical reforms of its social security system. Before the crisis, public assistance in Korea was provided only to children younger than 18 years old and elderly people over 65 years old. Unemployment insurance only covered businesses with 30 or more employees. A new kind of public assistance enacted in 1999, the "National Basic Livelihood Security Act" (NBLS), secured the rights to receive benefits if one's certified income was less than a minimum standard of living, irrespective of his or her age. Coverage of unemployment insurance has been expanded and its recipient share is over 10 percent more than that of Japan in 2009.

The Korean welfare system has much improved since the end of 1990s, but social expenditure is rather limited and its redistribution effect of taxes and public transfer is significantly weak. Japanese social expenditure has remarkably increased, but because of the great and rapid change in labor markets and social and population structure, the existing welfare system cannot deal with the new challenges adequately. The economic crisis in 2008 put heavy pressure on employment and welfare policies again. In this circumstance, WISEs has been expected to be an effective measure to provide employment services and create new jobs in both countries.

3. CONDITIONAL CONVERGENCE OF JAPANESE AND KOREAN SOCIAL ENTERPRISES

3.1. Two types of social enterprises: Social and Community Business and WISEs

There are various types of social enterprise in the region, although they are not necessarily called "social enterprises". In Korea, they call themselves "social enterprises" only if they are certified by the government. Around 2009, new types of organizations have been emerging in Korea, and the government categorizes them differently, such as a "community business" rather than "social enterprise", but we will categorize them together as "social enterprises".

Their activities are diverse in their organizational forms, target groups, size, financial resources, and aims between both countries and even within each country. Broadly speaking, however, we identify the significant distinction in terms of conceptualization of social enterprise, just like Kerlin (2006), Nyssens (2010), and Defouny and Nyssens (2012) find divergence between US and Europe through comparative studies.

Table 1 shows typology of social enterprises in Japan and Korea. At first, we classify them into two approaches, Social and Community Business and WISEs. Nyssens (2010) and Defouny and Nyssens (2012) classify Social and Community Business further into two types, the "earned income" school thought and the "social innovation" school of thought.

Table 1: Typology of social enterprises in Japan and Korea

Approach	Main activities	Corresponding types or categories	
		Japan	Korea
Social and Community Business	Commercial activities by non-profit organizations, provision of social services to unmet needs, community development	Community business Workers' co-operatives Workers' collective	Local community contribution type social enterprises Community business Social job promotion
WISEs	Employment services, creating jobs	Workshops for disabled Provision of employment services for homeless, daily workers, single mother, and young people Independence support programs for public assistance recipients	Certified social enterprises Preliminary social enterprises Social co-operatives Self-sufficiency support programs for public assistance recipients

In Japan and Korea, we do not significantly distinguish between these two schools of thought. It might be related to their historical development. In Japan, NPO activities have developed greatly during the 1990s partly because of the influence of the Hanshin and Awaji earthquake in 1995 and partly because of the effects of the "Specified Non-profit Activities Promotion Act" in 1998 (Laratta el al. 2011, 52). The concept of "social innovation" was introduced around the same period. According to the Social Business Study Group (2008), which was established by the Ministry of Economy, Trade, and Industry, the definition of social business is based on the three elements: a social purpose, a business model, and innovation (Laratta el al. 2011, 54). Furthermore, they position it between for-profit enterprises and for-non-profits NPO. This is a mixture of the "earned income" school thought and the "social innovation" school of thought. It is almost impossible to classify the actual organizations into the two thoughts clearly in Japan.

In Korea, it was difficult to establish social enterprises before the 1980s while under a military dictatorship. Various small-scale organizations started to emerge in the early 1990s mainly in poor communities. They were a producer cooperative, a day nursery and a study room in poor communities, a childcare cooperative, a medical co-op, a consumer co-op. This is the historical origin of Korean WISEs.

Kim Young-sam who took political office in 1993 declared the "globalization of the quality of life", and installed the "national welfare plan team", which was an organization for materializing the welfare concept of political power, and the "self-support support center" (installed in five places in Korea) which a private enterprise managed with a governmental subsidy in 1996. Moreover, the indigent self-support community of the cooperative system was experimentally established within the institutional framework of "the self-support community foundation support project" of the Ministry of Health and Welfare.

During the currency crisis in 1998, massive unemployment and poverty became important issues. These private organizations appealed for national contributions and "the National Movement Committee for Overcoming Unemployment" (Foundation for Work Together since 2003) was established.

In response to the inauguration of the Kim Dae-jung Administration in 1998, which advocated "productive welfare", there was also a strong influence by civic organizations and the NBLS was enacted in 1999. This law has been recognized as having the responsibility for alleviating poverty in society, and the promotion of a low income group's self-support project was included as a governmental public policy (Kang 2009:91).

It was not until 2000s that a concept of Social and Community Business was introduced in Korea. There is no significant distinction between the "earned income" school thought and the "social innovation" school of thought in Korea either.

The Roh Moo Hyun Administration aimed to combine the expansion of labor cooperation welfare (workfare) and social welfare services (welfare mix), and it introduced positive labor market programs, such as the "self-sufficiency support program", "social job promotion" and company support. Then, the Ministry of Labor sought to develop it from social job promotion into a social enterprise (Lee 2010, 2). In 2005, "the production task force team of social work" was established.

Correspondingly, the leading group of social enterprises changed. Previously, "regional self-sufficiency support organizations" and the National Movement Committee for Overcoming Unemployment were mainstream. The civil society organization, which provided various social-services, the social venture of college students, and the younger generation have emerged. Thus, the stakeholders have been considerably diversified. Moreover, the business fields also expanded rapidly from service provisions, such as nursing, to environment-friendly local food supply, rural tourism, alternative energy, fair trade, community development, and multicultural family support (Lee 2010, 2).

The public and private sectors urged the necessity of promoting social enterprise, which plays an important role in social inclusion through working, and SEP was enacted in 2006.

In Korea, the number of the certified social enterprise and preliminary social enterprises are increasing rapidly. According to the "2nd basic plan to promote social enterprises (2013-2017)", 774 social enterprises and 1682 preliminary social enterprises were authorized in 2012. In addition, the dimension of WISEs is especially emphasized as a feature of Korean social enterprise through legislation.

Of note, as social enterprises progress, they have gained the backing of the government. Although difficult to stabilize management, one may receive assistance of personnel expenses according to the law. After receiving assistance, many companies are compelled to reduce employees, and there is often a deadlock among management. By having enforced the Co-operative Basic Act in 2012, however, the transition from enterprise into cooperative has accelerated.

3.2 Social and Community Business

Table 1 also shows corresponding types or categories in Japan and Korea. At first, the main activities of Social and Community Business contained commercial activities by non-profit organizations, provision of social services to unmet needs, and community development. In Japan, workers' co-operatives, workers' collectives, and community businesses belong to this group.

Workers' co-operatives started their activities by creating jobs for the elderly and unemployed mainly through contract business with local governments in the early 1970s, and formally developed into the Japan Workers' Co-operative Union in 1986. Their business included park cleaning and landscaping for the public sector, cleaning for hospitals and building management for the private sector, and a distribution depot of co-op. Before the introduction of an elderly care insurance system, they held caretaker classes and set up community welfare offices. Nowadays they administrate and operate public space for parental care, the elderly and disabled, in addition to independence support and job assistance for disadvantaged people. The joint association of workers' co-operatives said that 12,765 workers have jobs there and there is the approximately 30,400 million yen of business (Tajima 2013, 46). Although their approach of business is near WISEs, they have been focusing more on the community development and the provision of public services. They have started to create jobs for disadvantaged people over the last decade.

A workers' collective started "the carrot", which began as a business contract, box-lunch-for-delivery manufacturing and selling etc. It derived from the Seikatsu club Consumer Cooperative co-op Kanagawa in 1982, and spread to various places thereafter. The housewives who had participated in the Seikatsu club Consumer Cooperative co-op become a subject, and it grouped the common labor as "citizen" labor for those who originated in the area, and is not an employment relationship. It is based on the premise of a short time job for housewives from the beginning. Now, workers collectives that are unrelated to co-op are also increasing. Their business is not only contracted business of a co-op but also providing "goods and services" for raising everyday quality of life, such as food, welfare, environment, information, etc.

As for the workers collective relevant to workers-collective network Japan, those with about 400 organizations, the total amount of investment of about 520 million yen, the member total is about 10,000 people, and the total business quantity have become about 13,800 million yen (Fujiki 2013, 50).They have also started employment services over the last decade mainly through providing work experience in their workplaces for young people[3].

[3] Defourny and Kim (2011) regards workers' collective as WISEs (Defourny and Kim 2011, 15). Their main activities, however, are not still employment services or creating job for disadvantaged people.

Although worker co-operatives and worker collectives developed from separate origins, cooperation has progressed in recent years. If both are viewed from the perspective of those who invest and bear a responsibility for their management, they are the same organization qualitatively and there are also many similarities in their domain identity (Tomizawa 2013, 5). Moreover, they both work towards the establishment of the "workers' cooperative act" since 2007, and they entertain SEP with Kyodoren, which is one of the WISEs.

As for community businesses, there are various types of activities, and it has greatly increased since 1990. Although there is no fixed definition, according to the Kanto Bureau of Economy, Trade and Industry, it is considered "the measure for which a local resident solves the subject of the area actively using the technique of business." Regarding the decline in the functions of public service and the exhaustion of regional economies, it is expected as a new supply and also the formation of a local community. For example, *Takurojos* (Laratta et al. 2011, 55-56) is an institution caring for cognitive-impaired elderly people. They started activities in the early 1990s for cognitive-impaired elderly to continue to live in the community. This work was pioneering in community elderly care by grassroots movements. Previously, central and local governments, in most cases, let people live in hospitals or special facilities. Several years after the enactment of "the Long-term Care Insurance Act (LTCI)" in 1997, the central government introduced new systems for the cognitive-impaired elderly, namely small-scale multi-functional care services, in reference to *Takurojo*. Most of *Takurojo*, however, decided not to participate in the LTCI scheme and small-scale multi-functional care services because it does not help their activities and might be a hindrance due to many various and strict institutional regulations.

In Korea, the aim of social enterprises was set at creating jobs and providing social services for disadvantaged people when SEP was enacted in 2006. Based on the Act, certified social enterprises were classified into three types: job-creation type, social service provision type, and mixed type. These are classified as WISEs apparently. Since the grassroots movements in poor community in the early 1990s, WISEs has been dominant in Korea in contrast with Japan where Social and Community Business has been more popular especially since 1990s.

After just a few years from the enactment of SEP, however, Korean social enterprises have begun to diversify rapidly. At first, the Korean government introduced a preliminary social enterprise system for venture companies to receive official support more easily because it is difficult for them to meet conditions necessary for certification. Local governments have also enacted municipal laws and launched their own support system for preliminary social enterprises. It has been expected both in the government and the civil society that social enterprises will be helpful to provide unmet services in the community. Over the last decade, the Korean government has been trying to expand social service industries and promote service providers in the community by introducing social job promotion projects and a voucher system for the elderly, child care, and education. This is also the social and political background of the rapid enactment of SEP.

In 2010, SEP was revised and another type of social enterprise, local community contribution type, was added. This type also belongs to Social and Community Business. Around the same period, Korean central and local governments launched several projects of Social and Community Business. While certified social enterprises lie under jurisdiction of the Ministry of Labor, the Security and Public Administration began a community business project, the Ministry of Agriculture, Food and Rural Affairs began a community business in agricultural and fishery area project, and other Ministries also began their own preliminary social enterprise projects.

3.3. WISEs

The approach of WISEs is to provide employment services and create jobs for disadvantaged people, long-term unemployed people, and physically and mentally disabled people. As already noted, WISEs have been dominant since the 1990s in social enterprises in Korea, and while in Japan Social and Community Business has been more popular, WISEs have also been activated over the last

decade, because of tough labor markets. Table 2 shows the classification of WISEs in Japan and Korea, based on the analytical framework Nyssens et al. (2011) presents.

There are four types in WISEs (Nyssens et al. 2011, 7-8). The first group is financially supported by long-term subsidy of public authorities. It offers a open-ended employment contract. As Nyssens at al. (2011) notes, it is launched for people with disabilities in most countries, and this is also the case in Japan and Korea. Workshops for disabled persons in both countries belong to this group.

In Japan, since 1970s, small scale WISEs of this type emerged and many of them were managed by grassroots organizations. Their activities aimed at supporting people with disability live in the community, not in special facilities, and some of them have provided wages for people of disability to live themselves, not with welfare benefits.

For example, *Kyodoren* fixates on work with disabled persons. A person with a handicap (dividing heavy obstacle) had little chance to work. So the places to work with disabled persons were on a voluntary basis anywhere in Japan since early 1970s.

Unlike the small-scale workshop, the places of working together made *Kyodoren* in 1984, the aim is to work with the disabled person and the able-bodied person, and to demand at establishment of a disabled person's right to work for the government. It makes the social enterprise which aimed at social and financial independence which gets and exceeds the frame of welfare. Moreover, the "general framework of SEP" is summarized in 2012 with Japan Workers' Co-operative Union and workers-collective network Japan, etc. by making into a model the "social cooperative" and the "work integration social enterprise" which spread in Europe.

In the existing legal system[4], however, WISEs are recognized as service providers and workers as users of welfare facility. Service providers are paid by the government on the basis of how many of those users benefited from their services (Nakagawa and Laratta 2011, 21), and users do not receive a wage, but pay a user charge. The government regards them as welfare services while grassroots organizations regard them as workplaces. In this way, the ideas that both side hold have been quite different, and there have been often confrontations between them.

A second group offers self-financed permanent employment. In the early stages, public subsidies may be granted and such subsidies are temporary and decrease over time (Nyssens et al. 2011, 7). Certified social enterprises in Korea are just classified in this category. They receive grants from the government for 5 years at the longest, including the period of preliminary social enterprises. At the end of 2012, "the Co-operative Basic Act" was enforced in Korea, and admits an establishment of social co-operatives, which aim to realize a social purpose including the employment of socially disadvantaged people. This act has been highly evaluated among grassroots movements in Korea. Korean workers' co-operatives have emerged during the 1990s, long before the introduction of an official certification system of social enterprises. They have had their own missions to support poor people, and the government's support system has not been necessarily helpful because the government has often strictly regulated them. Under this act, a variety of co-operatives can be established more easily and aim to realize their mission without receiving government regulations.

In Japan, there are not so many cases in this group. Mitsubishi UFJ Research Consultant (2013) investigates WISEs in Japan and report several cases which correspond to this category. These are managed by workers' collectives, workers' co-operatives, and social welfare foundations. Among this, social welfare foundations are financially stable. They are established with approval of the government under "the Social Welfare Act" for the purpose of conducting the social welfare services prescribed in the Act.

[4] "Act on Services and Support for the Disables" was introduced in 2006, but soon replaced with "Act on Comprehensive Support for the Disabled" in 2013.

Table 2: Typology of WISEs in Japan and Korea

	Japan	Korea
Provision of stable jobs by long-term subsidy	Workshops for disabled persons	Workshops for disabled persons
Provision of self-financed permanent employment	Provision of employment services and creation of jobs by social welfare foundations, workers' co-operatives, and workers' collectives	Certified social enterprises Social co-operatives
(Re) socialization of vulnerable workers through productive activities	Independence support programs for public assistance recipients	Self-sufficiency support programs for public assistance recipients
Provision of work experience or training through work	Provision of employment services for homeless, daily workers, single mother, and young people	Self-sufficiency enterprises

Note: based on Nyssens et al. (2012).

A third category aims at (re)socializing vulnerable people by means of productive activities (Nyssens et al. 2011, 7). This corresponds to the provision of care services for public assistance recipients in both countries. In Japan, they are called "independence support programs" and started in 2005 with grants from central governments to local governments. It consists of three types of programs: daily-life independence support, social independence support, and employment independence support. Around 80 percent of public assistance recipients are not able to work and it takes time to seek stable jobs because they are mentally or physically disadvantaged in most cases.

In Korea, they are more institutionalized than Japan and called "self-sufficiency support programs", prescribed in NBLS (Bidet and Eum 2011). A public assistance recipient who is able to work must participate at the program. If he or she does not participate without any rational reasons, full or partial benefits cease as a penalty. There are various kinds of programs corresponding to a recipient's working ability. When the programs started in 2000, provisions of services were contracted out to private organizations, which are called "regional self-sufficiency support organizations", among which most of them are originated from the grassroots movements in poor communities.

A fourth category comprises social enterprises work experience or training work (Nyssens et al. 2011, 8). According to Nyssens et al (2011), this group is the largest in Europe in terms of quantity. In Japan, this group has been the most activated over the last decade. It provides employment services for the homeless, daily workers, single mothers, and young people. Among these groups, support activities for daily workers have the longest history since 1950s, and the next is those for homeless people, which has been activated since the end of 1990s. In addition, according to Ootaka and Kitajima (2013), which analyzed Japanese advanced social enterprises, social enterprise is a training place for shifts to open employment at the same time as a continual working place.

These groups often conflict with the government. As most daily workers are getting older, conflicts are diminishing, and many support organizations receive grants from central and local governments now. However, opinions still differ significantly toward support activities between government officials and support organizations. Employment services for single mothers started in 2002 with government grants to local governments and private organizations. At the same time, pubic benefits for them were cut. As for employment service for young people, there are 112 regional youth support stations projects as of 2012. Their target is young people who have difficulty finding jobs and need prudent

support. In general, projects are contracted out to non-profit organizations and most of them support young people step by step through volunteer activities.

In Korea, "self-sufficiency enterprises" are classified into this group. They are one of the "self-sufficiency support program" prescribed in NBLS. Participants in the program are expected to get skills, knowledge, and experience to work in general labor markets step by step, and launch "self-sufficiency enterprises" themselves with supports of "regional self-sufficiency support organizations" at their starts. If business is done well, the enterprises are expected to develop without any help and workers will lead lives without public assistance. In fact, some certified social enterprises have originated from "self-sufficiency enterprises".

Table 3 shows a comparison of social enterprises typologies in this paper and the previous studies. Laratta et al. (2011) studies Japanese social enterprises, and Bidet and Eum (2011) studies Korean, respectively. The former focuses only on Social and Community Business and the latter only on WISEs. This is because WISEs in Japan have been less popular than Social and Community Business and WISEs in Korea have been dominant in social enterprises. Over the last decade, however, WISEs have been activated in Japan and Social and Community Business has emerged in Korea. While there is a significant divergence between social enterprises in both countries, convergence trend is also identified.

Table 3: Comparative table of social enterprises typologies in the paper and the previous studies

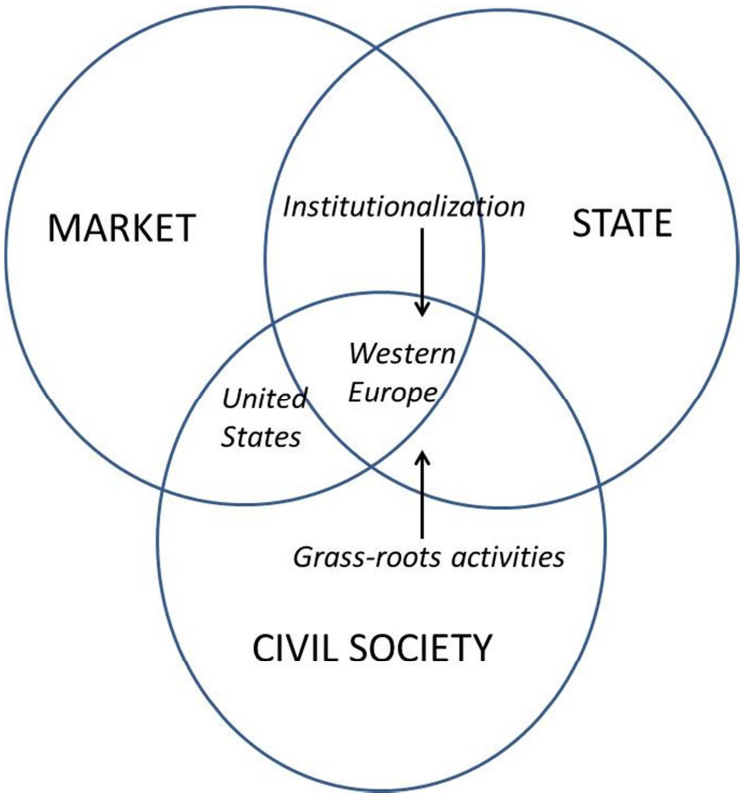
	Studied area	Social and Community Business	WISEs
Dees and Anderson (2006)	US and Europe	The social enterprises school of thought The social innovation school of thought	
Defourny and Nyssens (2012)	US and Europe	The "earned income" school of thought The "social innovation" school of thought	WISEs
Defourny and Kim (2011)	East Asia	Trading NPO Community development enterprises Non-profit co-operatives	WISEs
Laratta et al. (2011)	Japan	Earned-income non-profit Social business Non-profit co-operatives	
Bidet and Eum (2011)	Korea		Certified social enterprises Social enterprises related to the NBLS Other forms of social enterprises

3.4. Confucianism or Confrontation?

As Figure 8 shows, both in Japan and Korea, grassroots organizations have developed social enterprises with their own mission, as *kyodoren, takurojo,* and support activities for daily-workers, homeless, people with disabilities in Japan and workers' co-operatives in poor communities in Korea, while the government has tried to institutionalize based on the experiences of grassroots organizations in civil society. Historically speaking, there have often been confrontations between them and it has become a driving force for reforms. The government has been trying to

institutionalize them before social conditions matured because social and economic transformations have occurred very rapidly. Defourny and Kim (2011) argue that "some social and cultural foundations of East Asian societies, related to a tradition of Confucianism, tend to favour values such as loyalty to the ruling entity as well as the search for wisdom and social harmony, instead of direct confrontation" (Defourny and Kim 2011, 26). Historical development of social enterprises in the region, however, demonstrates dynamic interactions between government and civil society.

Figure 8: Position of social enterprise in Japan and Korea



Note: based on Defourny and Kim (2011)

4. CONCLUSION

In Japan and Korea, social enterprises might be utilized to contract public expenditures and replace welfare benefits by governments. In particular, the emergence of WISEs has been closely related with economic downturn and expected increase of social spending. Economic compressed development has urged governments to deal with various social issues arising from great transformation in society. Social enterprises have been recognized as an effective measure to address the problems, even though they were established by grassroots movements with their own missions, which was often different from the concept of governments' projects or regulations. Thus, promoting social enterprises by the governments does not necessarily mean the development of welfare regimes, and rather it might impede the efforts of grassroots activities. It should be appropriately coordinated with other public policies for enhancing welfare systems.

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