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Working Paper 2020-6

Policy Systems and Measures for the Social Economy in Seoul

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prepared for the UNRISD project on
Promoting SSE through Public Policies:
Guidelines for Local Governments

July 2020

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Acronyms

CLGSSE	Council of Local Governments on the Social Solidarity Economy
CSSF	Central Self-Sufficiency Foundation
FAC	Framework Act on Cooperation
FASE	Framework Act on Social Economy
FOSE	Framework Ordinance on the Social Economy
GRDP	Gross regional domestic product
KCGF	Korea Credit Guarantee Fund
KONEPS	Korea Online e-Procurement System
KoSEA	Korea Social Enterprise Promotion Agency
KRW	Korean Won
KSENET	Korean Social Economy Network
MOEF	Ministry of Economy and Finance
MOEL	Ministry of Employment and Labour
MOHW	Ministry of Health and Welfare
MOIS	Ministry of the Interior and Security
MOLEG	Ministry of Government Legislation
NBSA	National Basic Living Security Act
NBLSP	National Basic Living Security Programme
PPPPSES	Public-Private Policymaking Partnership for the Social Economy in Seoul
PPS	Public Procurement Service
SEE	Social economy enterprises
SEO	Social economy organizations
SEPA	Social Enterprise Promotion Act
SME	Small and medium enterprises
SMG	Seoul Metropolitan Government
SMOE	Seoul Metropolitan Office of Education
SSEC	Seoul Social Economy Centre
SSEN	Seoul Social Economy Network
SVS	Korea Social Value and Solidarity Foundation

Summary

Seoul has played a leading role in the development of the social economy. It is the capital city of the Republic of Korea as well as the centre of its economic, social, and cultural activities; Seoul possesses abundant resources, relatively mature civil society capabilities, and a city government with the political will to support its social economy. In terms of the establishment of legal and institutional frameworks as well as the development of public policies, Seoul has become a good example not only for other local governments but also for its own central government for its approach to the social economy as a whole as well as to each type of social economy enterprise.

In this paper, we introduce the legal and institutional frameworks and public policies that led the growth and development of the social economy in Seoul. We examine their achievements and limitations, focusing on the essential components of policy ecosystems for the social economy enabling SEEs to thrive over time, that is, the legal and institutional frameworks for the social economy, social finance and preferential public procurement for social economy enterprises (SEEs), and education and training to foster social entrepreneurship and raise public awareness of the social economy. In doing so, we consider the essential components in relation to legal and institutional frameworks and public policies from the central government, because the former has played a role in guiding the latter, but they have also developed together.

As a result of supportive policy measures for it, the social economy has grown significantly over the past two decades in Seoul as well as in the entire country, particularly in terms of the number of SEEs, and their employment and turnover. However, fragmented support systems from different departments for different types of SEEs have been a source of ineffectiveness and inefficiency of the public policies intended to support the development of the social economy. Although they have started to become more coherent and integrated, the impact of the social economy on the national economy is still weak. Most SEEs are small, and many of them struggle to be self-reliant without government support. Developing and ensuring both autonomy and independence in the social economy sector therefore remains crucial to its sustainability.

Various public policy measures for the social economy have seen some achievements such as quantitative growth and more integrated and coherent ecosystems. However, achievements have not come without some limitations such as a distorted distribution of resources in public procurement and social finance markets.

Introduction

The social economy has significantly grown over the past two decades in the Republic of Korea. In addition to existing social economy enterprises (eight different types of cooperatives under their own specific acts), new types of social economy enterprises (SEEs), such as general co-operatives, social enterprises, community enterprises, self-reliance enterprises and social ventures, have emerged in order to meet new social demands including job creation and social inclusion for the disadvantaged. Social services have also expanded, new solutions for unresolved social problems have emerged in society, and the number of these enterprises has significantly increased. With the emergence of these new types of SEEs, legal and institutional frameworks have been established to regulate and support them, various public policies have been designed and implemented to foster them, and support systems usually through intermediary organizations have been created to help them establish and operate. In recent years, the policy paradigm for them has shifted from direct financial support for individual enterprises to building conducive policy ecosystems in which they can continue to develop and grow. For that purpose, more coherent and integrated policy measures have been developed at different levels of government.

With abundant resources, relatively mature civil society capabilities, and the political will of its city government to support the social economy, Seoul, the capital city of the Republic of Korea as well as the centre of the economic, social, and cultural activities, has played a leading role in the development of its social economy. In terms of the establishment of legal and institutional frameworks as well as the development of public policies both for the social economy as a whole as well as for each type of SEEs, Seoul has become a good example not only for other local governments but also for its own central government.

In this paper, we introduce the legal and institutional frameworks and public policies that led the growth and development of the social economy in Seoul and examine their achievements and limitations. In order for the social economy to meet its full potential, policy makers should understand the characteristics of the social economy and build ecosystems in which SEEs can flourish. Such ecosystems consist of five main components (OECD/EU 2017):

1. legal and institutional frameworks to bring clarity, visibility and recognition by defining the nature, mission and activities of SEEs;
2. access to finance ranging from subsidies and debt instruments to equity, patient and impact investment to meet the needs of SEEs;
3. access to markets particularly through preferential public procurement for the products and services of SEEs;
4. business support structures to provide for training, coaching, or consultancy services for building capacities; and
5. education and skills to foster social entrepreneurship and develop new solutions for unresolved social challenges.

Alongside these five components, UNRISD (2019) considers research, data collection and knowledge transfer as additional important components of such ecosystems. In particular, surveys and statistics are essential for effective evidence-based policy design and implementation as well as gaining social and political recognition of the social economy which enhances the legitimacy of policy support (Bouchard and Rousselière 2015). In the process of developing and establishing those ecosystems, the cooperative partnership between social economy actors and governments is also essential, because open dialogue between them leads to more coherent and strategic approaches, allowing the social economy to realize its full potential (Mendell and Alain 2013).

Based on the project concept note developed by UNRISD (2019) and the framework by OECD/EU (2017), we examine legal and institutional frameworks and public policies in Seoul, mainly focusing on the aforementioned essential components conducive to an ecosystem enabling SEEs to thrive over time. In doing so, we consider them in relation to the legal and institutional frameworks and public policies from the central government, because the former has played a role in guiding the latter, but they have also developed in a complementary manner.

1 Social Economy in the Republic of Korea Today

1.1 Concept and scope

Practices and relations that could have been characterized as those of the social economy had existed long before the modern market system arose in the Republic of Korea. It was only toward the end of the 1990s, however, that policy makers began to use the term “social economy” to refer to a wide variety of activities aimed at social problems, such as unemployment and poverty, left unresolved by either the state or the market (UNRISD 2018). However, there is not yet a universally accepted definition of the social economy, and its exact scope remains a subject of controversy in the country.

As the purpose of this study is to explore public policy measures supporting the social economy in Seoul, we will conceptualize the social economy in reference to existing statutes.¹ The bill for the Framework Act on Social Economy (FASE), is a legislative draft still pending before the National Assembly and aspires to provide a comprehensive legislative basis for the entire social

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