

The Roles and Tasks of Government for Nurturing Social Entrepreneurs

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1. Introduction

At the end of 2011, 1,000 certified social enterprises took a very small part of the entire Korean economic activities : 0.1 percent of the entire employment and 0.1 percent of the entire revenue of the country. In the recent election, it is surprising that both ruling and opposition party candidates in the government meeting to establish unemployment countermeasure or in coming local government election are having heated discussion about the future of social enterprises. They both suggest social enterprises as a solution for expansion of local employment. Korea media or newspaper are all introducing domestic and international case of successful social enterprises in order to emphasize the necessity of social entrepreneur spirit to further develop Korean society. In addition, the competent ministry of Labor adopted new law in 2012 to encourage social enterprises to develop, which is the first attempt in Asia. Since then, it has been putting their head together with different department within the government and other corporate Social Responsibility group to create more social enterprise friendly environment.

Since the concept of social enterprises was introduced to Korea for the first time, what has happened here during the last decade is a kind of political, economic, and social background that were to spread the notion of social enterprises. It in such a short span of time and so many stakeholders in each sector have reacted to and it is a kind of role and legal support measure did the government fulfill to nurture social enterprises. So are the efforts of today what are the government future task to pay the way for the next generation of social enterprises that could social community and government sector do to further advance the standing of social enterprises.

2. Current Status of Korean Social Enterprises and Their Management Accomplishment

Social enterprises were certified by Social Enterprise Promotion Act, and of them are still running. Since then about 1,000 new social enterprise companies applied

for certification, and the rate of certification has been on average in the early days government experienced low () certification rate due to strict rule for the qualification and the lack of field experience that led government to manage support organization by region on assignment to private for social enterprise

Looking at regional distribution, the notable that the capital concentration problem has been alleviated from () to ()

By industry, care service such as health care, elder care, childcare, foret, environment, cultural education, culture education, and other in early days of certification, depicted care service of disadvantaged class old women too a big part yet, due to various problem such as low added value, repetition of salary inequality between two gender, the government readjusted the policy to extend social enterprise business into different sector such as environment, foreign, revitalization of countryside, and culture

By social finality purpose type, many of common or place of disabled people are replacing their business into social enterprise form the biggest sector are to provide job to unprivileged class, which is a of the total, and center that provide job and social service jointly comprised

Not for profit form account for , taking major part among legal organization form which does not mean their little interest in profit business rather non profit organization form is preferred in the context of social service market, which is major business of social enterprise, especially in the relationship with local government recently the form such as limited company can be established with least capital but with strength of core responsibilities of internal member or cooperative, traditional form of social enterprise, are growing continuously

The government receives financial report every February to analyze the growth of social enterprise in Korea. According to the report for , social enterprise the number of paid laborer combined with the of low income unemployed and disabled is , most of social enterprise in Korea tend to be small sized firm with about employee and often relate with the feature of combining disadvantaged class or force

The average salary of social enterprise worker is about , , and the worker in the environment or cultural tourism sector has a relatively higher average, which is about , , per month currently an average monthly salary for small to medium sized firm in Korea is about , , which is bigger than the at the social enterprise yet, interestingly, if we compare the salaries between the at the social enterprise with the worker at profit corporation in

similar business such as cleaning agency, recycling, nursing, the former monthly salary is about 1000 yuan, larger than the latter. We can interpret this as a result of features of social enterprises: social redistribution, health and reinforcement of their profits aiming for combining the force of disadvantaged class and improvement of their lives. In addition, Korean enterprises are taking social roles for disadvantaged class by providing higher standards of environmental safety and providing proper business models and requiring competitiveness to their employees.

Furthermore, we need to look into gender disparity in social enterprises despite the fact that the female worker at social enterprises takes up about 40%, gender ratio between male and female employees is 1:1. Their salary for men is also about twice larger than that for women. From this data, we can conclude that social enterprises in Korea are still affected by the gender inequality culture in normal labor market and that their knowledge and action on gender recognition is still immature.

From a survey conducted among 100 worker at social enterprises, we get insight of satisfaction from community-based organizational culture and their contribution to the public good. Yet, the survey also states that they are less satisfied with the instability of employment and the poor social welfare benefits. This may be due to the fact that most of employees at social enterprises receive their income from the government support on social employment, but their contract lasts only for a year.

Not to mention, the total revenue of social enterprises in total is still much bigger than the government total financial support. Furthermore, of social enterprises' social services were measured as approximately 100,000 hours, and the percentage of disadvantaged class who cannot afford among them is as high as 30%. This issue may be partly solved by support system such as social services outsourcing. The third party pay system, however, is not easy to realize. The system we support measure does create neglected areas, or blind spots, and not easily connect it newly created service due to lack of cooperation among different departments. Issues such as excluding social enterprises from the whole social service communication sometime come into place. Social enterprises are facing the issue of providing services for disadvantaged class by their own cost such as reinforcement of their profits. In the end, social enterprises' own profitability and independency are at stake. Achieving the high public interest standard for certification. Therefore, only those social enterprises are able to secure total amount needed to pay their paid labor from their revenue income. In this situation, it is calling for further efforts to provide favorable market circumstances and expand government agency business, and improve support system and measure for disadvantaged class consumer.

certified social enterprises are trial so far but we can see diversity of main group in pre-social enterprises as well as their size, annually are applying for government funding support for social employment, (Lee, Yeon et al.,) are employed in the third sector except for number in cooperative, fast growth of youth social enterprise by group of college student, and growing participation of early retired and baby boom generation retired

3. The Context and Phases of Social Enterprises' development in Korea

In Korea, the legal definition of social enterprise is as follows: organization is engaged in business activities of producing selling goods and services while pursuing a social purpose of enhancing the quality of local residents' life by means of providing social services and creating jobs for the disadvantaged. Various parties of stakeholders could participate in the decision-making process and any profit could be reinvested for the firm's operation, following the definition is not enough to be certified as a social enterprise. The firm also could meet the list of qualification, set by the government. Nonetheless, there have been debates over the government law and certification process for social enterprises since civil community activists to incorporate a wider range of groups into social enterprises: cooperative, social enterprise, community business, and social economy. In content, all social enterprises in Korea to be labeled as

government-driven model, which is plain legal definition on social enterprises, control of the name, sole authority on nominating social enterprise support committee member, concentrated support for certified social enterprises and short-term growth by quantity of social enterprises establishment. It resulted in burden for government and repulse and dependency for the third sector.

Nonetheless, it is needed to understand distinctive characteristics of Korean context. The role of government has been growing inevitably. Nonetheless, Korea has in its early stage of welfare nation as well as early phase of social service development. Society required more responsibility on government rather than citing its or market failure. In complicated modern history, citizens expect full focus on resistance and critical check to the state and on capital but lacked integrated idea or proper model on ethical social responsibility of consumer. Hence there were no background such as citizen-based ethical production and consumption. It led growth of social enterprises in the term society historically illage economy existed in

orean traditional farm based on voluntarism and solidarity has been cut. And no pivot has been made due to discrepancy between vision and reality of the third sector organization. Principally pursuing life centered by solidarity yet realistically competing over resource and leadership in the sector under influence of the economic social element, social enterprise in Korea ended up with government driven model where fostering social enterprise and taking responsibility of that seem to be on government and

Despite the debate over leadership during the last decade, the Korean government and civil society have well promoted people understanding of the need for a socially integrated employment related welfare model and created a bond of sympathy on the necessity of enhancing policy related to social enterprise. Especially in the beginning of 1990s, when in the middle of transition between the old government, or almighty market believer derogation on social enterprise has been spreading out, private and government sectors jointly put great effort in publicizing successful model of social enterprise and advancing the public understanding of social enterprise.

Then, at that background of Korea that enabled the cooperation between the government and the civil sector

In February this year, the unemployment rate has officially published as 4.5% (0.45 million), much below the actual rate 5.5% (0.55 million), which is indeed the lowest in the world. Even foundation of self employment, the usual option for those who lose their job, suffered from domestic recession continuing closure. Consequently, the bipolarization of the Korean economy worsened as a increased middle class income decreased and the increase of income at the top and that of the bottom

rough out critical moment such as Asian financial crisis in 1997, Korean Presidential Election in 2000, and the global financial crisis in 2008, all of the first, second, and third sector in Korea focused on integrating disadvantaged class and producing opportunities to boost the local economy.

In this manner, social crisis and need for innovation, which include low growth pace of economic development before and after financial crisis, dramatic decrease in number of new employment creation by existing industries such as manufacturing, internalized growth without employment, sluggish economy of ordinary class, deepened bipolarization, low fertility, aging society and increase of women

economic activities, etc., ultimately paved the way for development of social enterprises in Korea as well as for cooperation between private and public.

Since there is a limit in what the government can do with its budget to deal with employment, social welfare, social services, etc., the government has been seeing the solution as a European case. It succeeded in funding leveraging regional resource through partnership among various citizen groups. Out of the process, they elected social enterprises as the most productive and market-friendly social welfare model. As a result, the Social Enterprise Promotion Act could have been modified in 1997, and the government policy and statute remained the same throughout the government transition.

As for the citizen sector, its changed characteristics of grassroots daily life democracy organization in 1997 from those of political movement, its cooperative alternative community movement such as social enterprises in order to sustainably create more employment and solve the daily life issues by citizens themselves, including cooperative for unprivileged workers, day care and study room in poor class areas, and living cooperative associations have ample evidence. In addition, they tried to make labor community related to self-support policy of Ministry of Welfare for extremely poor class to eradicate poverty on the other hand.

Therefore, these activities couldn't happen under the name of social enterprises until the Global Symposium in 1997. For the first time the term was officially mentioned for the government policy as well as the Ministry of Labor cited policy to create social employment as policy. It funded labor co-ops and the employer organization in providing regional public social services of the third sector to improve disadvantaged class. It also founded one of the greatest contributions promoting social enterprises. Since 1997, private mediation agency Sa-eo-eondae Ban (social solidarity ban) and Silup-eugbog-aedan (labor co-operat foundation) started their activities.

Finally the task force team on enactment for social enterprises under Ministry of Labor established the Social Enterprise Promotion Act in 1999. Since the enactment certification and support by government for social enterprises began and there is no looking at the level of citizens understanding on the issue and diversity of leaders, i.e., youth social venture, farming and fishing village community business.

4. Korean government's support system for promoting social entrepreneurs

Social Enterprise Promotion Act introduced certification system benefiting community interest companies (CICs) Act in England. The requirements are: a minimum of performance period since registration as a profit or non-profit corporate body, more than one paid labor and a clear social insurance policy along with Labor Standard Act, realization of social purpose (which means often hiring disadvantaged class or providing social service more than 1% of total in actual cost), profit from business activities more than 1% of total labor cost, democratic management structure based on diverse stakeholder, reinvestment of more than 10% of profit to regional society, and a binding article of association.

Actually it has already discouraged that certification system could hinder autonomy and creativity of the third sector. However, role model of the third sector successfully done didn't exist then, nor understanding of society accepting this hybrid notion of social enterprise organization, and more importantly, no common ground to support financially only social enterprise breaking rule of capitalistic competition. Under this context social enterprise can't meet strict criteria to get support. As a result, the certification system came into place.

Once certified as a social enterprise, one receives support and benefits. At the beginning, the government is considering supporting social enterprises also by system for small business. Support and benefit that government has implemented are as follows:

Firstly, a management support for social enterprises. The government supports professional consulting costs such as accounting, labor, marketing and so on in order to improve capability of market competitiveness and independence of certified social enterprises. The amount of supported management consulting is 1 million maximum per year and 5 million maximum per three year total for pre-Social enterprise. It is 1 million and 5 million per three year total. Also admission fee for accounting program is also a one year fee is supported, and it connects to corporate responsibility for probation or a full fee allocation. The connection between mainstream economy professional and social entrepreneur but lack of understanding of the former debate over effectiveness of such consulting has been around.

Secondly, until social enterprises settle in the market there is temporary financial support to promote more employment in social enterprises. Financial

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government for them to organize their ordinance to support social enterprise recommending rent of national public land or idle building for social enterprise, a well as promoting public organization to buy product and service of social enterprise resulted in revenue income of 1 billion in addition, government induced to elect regional assisting organization to support certification consulting, connecting resource in year based on the expansion including Ministry of Environment, and that of Agriculture, etc., support system by industry are reinforced

In addition, government support creation of financial market and accounting for social enterprise low capability of funding due to low credit score in ordinary financial organization. Land cost needed to establish and operation of social enterprise, facility cost, operation cost is 10 million, were supported a credit loan with yearly interest cost ranging to 10% in early days. The form of a thorough delegated private agency organizing capital, then into microcredit organization driven by government took the role from this year. Moreover in this process the characteristic of patient capital that private driven mediation agencies for social enterprise showed significantly have been weakened and this microcredit organization monopolized donation resource that private mediation agencies have leveraged. The feature led critical to this change have weakened support infrastructure for social enterprise. In addition Ministry of Labor is preparing parent fund to address expected increase of capital need from social enterprise. This is still questionable if this fund use for preparing successful management of social enterprise. Furthermore it requires prudent review if delisting and leveraging ethical fund from corporate citizen for such government driven fund are feasible and/or appropriate

Then, government support social venture idea competition for fostering professional manager to understand core value of social enterprise and discovery of innovative social entrepreneur. Success development and fostering began this project by private driven mediation agencies. Since then transformed and enlarged to nationwide business since revision of the Act Basic curriculum is to understand value of social enterprise, case presentation and exchange, lecturing management theories. There have been critical that majority of Korean social entrepreneur are weak at management

theory and case are coming from not for profit organization, however, satisfaction level is not yet high since it is still in initial phase. There is lack of management theories focused on social enterprise and overall development of good teacher.

Social Entrepreneur Academy	All program management on promoting social entrepreneur started by (under)graduate school, not for profit organization backing social enterprise, and certified social enterprise. Benchmarked private owned program is started in 2010 and implemented by government driven management. It is a course for general social enterprise and management, and specialized industry and subject were newly founded. Participants completed the course.
Open class with credit acceptance (under)graduate course	Support research funding to establish Liaison major, Bachelor, degree course. Initiative Selected in 2010.
Short term education course support	Government started supporting on operation cost for social entrepreneur course. It is implemented by private since 2010.
Tuition support for (pre) social entrepreneur	Support admission fee for current employee in social enterprise and all who are in the process of (under)graduate course on social entrepreneur. Participants benefited total in 2010.
Managing Social enterprise competition	Competition for creative university student or manager in initial phase of social enterprise, in order to scout talent and innovative social enterprise model. Enlarged size of competition from 2010, the origin is a private driven competition since 2010. Teams were competed in 2010 from all over the country.

Lastly, tax benefit tax reduction for social enterprise by corporate tax law, special tax limitation law and regional tax law recently cost that connected corporate pay social enterprise are included in designated contribution, which allows total inclusion of 10% of the income of a corporation. And for social enterprise, there are tax benefit on corporate tax and income tax for the first four years after certification.

All the measures by government are pushed ahead according to Social Enterprise Promotion Act. For the analysis order of introduction of the measures, budget size, plan for recruiting, etc., we could get idea on how

government understand managerial tasks of social enterprise as well as its own role for them. Government's lack of management capability and technology as the most vulnerable in the tertiary sector or in social enterprise and that a highly managerial consulting came into place at the very first. Although leveraged support on labor cost as a primary measure to foster social enterprise in policy content of social enterprise as a solution for the disadvantaged in terms of living stabilization and employment is not the other and, facing growing burden of financial support of government and continuing debate over effectiveness, government is trying to create favorable transaction through participation of local government and major companies in order to foster circumstances where social enterprise may eventually be independent as well as to reduce direct financing support from government. Recently it is proven by actual cases under same circumstances if social enterprise succeed or fail is up to social entrepreneur themselves. It is led through support related to discharging, educating social entrepreneur and their network.

The changes also are reflected in Basic Plan for Social Enterprise Support (2012 to 2017) that government publishes every five years as a duty.

Government focus more and more on focused initiatives so that it can reduce direct financial support but extend indirect support by creating favorable market circumstances for social enterprise by inter-sector cooperation, raising creative social entrepreneur, and implementing tax benefits. It is in accordance that through actual support experience government acknowledged that intense indirect support through all phases from idea hunting to closure is needed but it is not realizable by government support. Therefore along with support from central government, it is trying to discharge superior social entrepreneur and providing incentives, and cooperation with local government and private sector in order to improve capability of social enterprise and their sustainable base.

5. Governments' tasks on policy for vitalization of social enterprises

Let's look at the new article on social enterprise in various media this year. Most of them are related to announcement of new support policy of central and local government. It seems certain that government is the most influential actor as well as the most active actor. It is guaranteed (in the mean

financial) measure to promote social entrepreneur. Even some government officials worry about decreased autonomy in private sector.

Moreover, should social enterprise be the only field in Korea to be driven by government? Since Korea developed industrialization and urbanization, the leadership of government and accelerated early introduction of social insurance by competing over ideology is not Korea's ideal image of Confucian welfare-centered country by country responsibility as other Asian countries. After Asian financial crisis, Korean government boosted up enterprise movement in order to solve economic crisis and youth unemployment and experienced the failure. Likewise, role of government in Korea is ambivalent one and it drives social development and the other hand it neglects other sector if too much.

In order for social enterprise to experience successful historical side effect or to end a bad trend,

firstly, we need to reconsider the mission of government to promote social enterprise and basic principle supports the mission. Not otherwise, it is important that, in policy basis, more than anything government needs to make pilot projects on recentralization based on empowerment of citizens and growth of economic democracy based on autonomy, then to experience the effectiveness of governance between central and local government, between private and public, and between private and private sector.

Secondly, it is needed to organize support system to recognize and activate the intended social role of social entrepreneur. Since current role that government expects to social entrepreneur mainly concern its short-term job creation, from now on it should focus and support more on the quality of jobs created as well as social role that they are taking in terms of innovation. Roughly speaking, government support has been concentrated on establishment and initial phase before and after the certification could be established. A tailored support for each phase and evaluate social and economic value widely.

Thirdly, government and citizens should discuss together on the role of private enterprise and capabilities on policy, then social are considered as a core driver of social enterprise development. Same for us to construct

citizen-based initiatives point a of no. Especially letting the third sector to build more role such as capital investment including ethical behavior and mutual benefit, sponsor, volunteer, purchase, public relation, etc., so that autonomy and reciprocal citizenship can grow together and government limit them else as catalyst

In addition, recently treatment of medical cooperative for non member in disadvantaged class were legalized to modification of consumer cooperative Law. Also from between Ministry of Labor Ministry of Environment they discovered common ground not only promoting green development type of social enterprise but also fair employment opportunities transferring skilled out from exiting industry into or enter in green development social enterprise. Also can see promoting social entrepreneur doesn't complete the task under single law system but is under influence of various related laws and policies upon its industry organizational structure development phase of each social enterprise. Therefore inter department cooperation appears, it is required to create actual a well enforceable policy environment by analyzing policy environment and co effort for improvement

Lastly, there could be the timing of current social enterprise certification system turn into registration system by citizen autonomy. It may be brand management become feasible than self purification by large social entrepreneur network. It may be citizen awareness get to mature that social entrepreneur are very attractive, innovative and credit worthy leader of next generation become common belief through publishing social responsibility report of social enterprise, spreading best practice through media or conducting public campaign. A mature young generation challenge them else it new life value and way of living then become social entrepreneur experiencing success and failure in society which allow them continuously re challenge them else. The best role of government could be making such environment of social enterprise which can develop them else.