

**Korean social service job policy and its alternative  
- A comparison with the European social economy-**

**By**

**Seon-Mi Kim**

**THESIS**

Submitted to  
KDI School of Public Policy and Management  
in partial fulfillment of the requirements  
for the degree of

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## **ABSTRACT**

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In Korea, after the economic crisis in 1997, a 'social job policy' was initiated to solve the chronic unemployment and insufficient welfare services by the Kim Dae Jung administration. Since its beginning the initiative has been extended to a 'social service job policy' which doesn't mean humble job only for the poor but for the middle class peoples in Noh Mu Hyun administration. The budget and amount of social service job has been increased by almost 4 times from the first stage.

But nowadays, the social service job policy is being criticized severely by both the left and right wing. Even, the left wing which is interested in welfare expansion is blaming that social service job policy no longer encompasses the meaning of 'social' because of the government's attempts to make it a more market oriented strategy- low wage, low job security, introducing a profit making & competition system and preferential treatment for large participant groups linked to large corporations. The left critics charges that social service job policy is a neoliberal tool to mobilize the civil organization's resource for welfare cheaply. On the other hands, the right wing is criticizes that the efficiency of social service jobs is so low as to cause wasteful government expenditures. Therefore, the social service job policy is confronting a major crisis 10 years after its introduction.

This thesis argues that in Korea, the social service job policy has failed to provide stable jobs and good quality welfare services to people, and to generate sufficient positive to defend against the criticisms from the right wing. What is responsible for this failing? To achieve the goals of the social service job policy- manely, employment & good welfare & social integration - how should the current

policy be changed? And what's the suitable policy direction for it? These are main research questions of this thesis.

To answer these questions, this thesis compares European social economy policy with Korean the social service job policy, to find the commonalities and differences between them. Because European social economy policy provided the inspiration and model when Kim administration considered and designed the social job policy, we need to find which differences, and similarities exist between them and what explains these.

This thesis uses four category levels to study the social job policy: 1) theoretical & philosophical, 2) historical, 3) the state's role and level of welfare base, and 4) social expenditure. And it characterizes the social economy of Europe into 3 categories based on Anheiers and Salamon's (1999) analysis which divided the social economy into liberal, social democratic, cooperative models and a statistic model according to the scale of social economy and coverage of government's expenditure for social welfare. This thesis selects UK as a liberal model, Sweden as a social democratic model, and Germany as a cooperative model. The thesis verifies that Korea could be categorized into a statistic model with Japan through analysis.

According to the comparative analysis between European social economy and Korean social service policy in terms of four categories, this thesis finds that there are decisive differences between them, even though the social service job policy was introduced in Korea through the investigation of European policy. In Europe, the social economy has developed as an alternative economic movement from the beginning capitalism based on different economical and philosophical basis. Therefore, the social economy has been acknowledged as an alternative actor at the community level. And due to that history, the social economy could maintain its characteristics such as self-governance, democracy and non-profit principles. Also, a well developed social welfare system and a high percentage of social expenditure became a basic condition to guarantee success of the social economy. Overall, we can conclude that the European social economy has acknowledged and developed its unique area and characteristics with support from the state including the EU.

However, in the Korean context, these characteristics of European social economy were blocked. In Korea, the state initiated the creation of the social economy

through its social job policy when social economy didn't grow up from the grass root level. The Korean social economy didn't take root in the regional base and wasn't acknowledged as important by most of the population. Therefore, social economic organizations could not effectively oppose the government's policy on the social economy such as the introduction of competition, the preferential treatment of profit & large scale organizations, low wage and so on. The most important principles of European social economy such as self-governance, democratic management and non-profit principles have been mostly ignored in Korean context. Moreover, the low social expenditure levels in the welfare field have been an obstacle to the development of social economy. This is so because low investment for social expenditure makes people's demand for social economic service fixed at the low rate.

All things considered, we can say that Korean social economy follows the statist model which is characterized by the state's strong control of the social economy and a restricted scale of the social economy. These characteristics prevent the full development and maturation of the social economy in Korea

Based on the results of the above comparative analysis, this thesis presents alternative approaches. This thesis suggests that the 'Sangbusangjo economy (mutual help economy)' concept is an alternative philosophical approach for social service job policy on the basis of plural economic theory of Laville (2003). 'Sang-Bu-Sang-Jo' is the cultural inheritance from traditional Korean society which means the mutual help in the context of everyday life. The objective of 'Sang-Bu-Sang-Jo' economy is not profit making but rather 'provisioning' and 'redistribution'. The concept of efficiency is changed into 'allocation efficiency' 'dynamic efficiency' which evaluates how much redistribution is achieved and the extent to which the principles of democratic control and reciprocity are satisfied. This alternative philosophical approach is necessary to ensure the success of the social service job policy. If the logic of the market economy & economics is applied to the social service job policy (non-market economy), the policy will fail to achieve its objectives of providing social services and job creation at the community level.

At present, the Korean social service job policy stands at the crossroads facing either further growth or gradual decline. This thesis strongly supports that the only way to assure benefits from the social service job policy is by introducing a different

philosophy from market oriented economics, namely Sangbusangjo economics.

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## **I. INTRODUCTION**

### **(1) Background and issues**

In Korea, the concept of ‘Social job’ appeared on the governmental policy stage in 1998 when Korean economy suffered from economic crisis and unemployment became a serious social issue. At that time, social job was defined as ‘the job which is useful for society but can’t be supplied by the market due to low profit rate’ (planning committee for improving the quality of life, the Blue House, 2000). However, in practice, this concept was regarded as the job which government provides the finance for the poor.

Social job policy was a representative of ‘productive welfare’<sup>1</sup> by Kim Dae Jung administration which came to power right after economic crisis (1998~2003). ‘The productive welfare’ was a new policy trial to overcome social problems caused by economic crisis like reduction of employment and expansion of the poor. Not only social need for welfare caused by economic crisis, but also political ideology of Kim Dae Jung administration – a parallel democracy with market economy-were main reasons to make Kim administration develop ‘the productive welfare’. In Korea, people’s desire for welfare had been repressed for a long time under the dictatorship,

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<sup>1</sup> ‘The productive welfare’ was defined as a main ruling ideology to improve the quality of life and pursue social development at the same time through guaranteeing basic life standard for all people to maintain the dignity of human and extending the opportunity to participate in economic & social activity independently and raising the equity of division’ (planning committee for improving the quality of life, the Blue House, 2000).

and even basic social welfare system had been ignored for rapid economic development. In this social condition, democracy of Kim administration couldn't only contain political concept but include economic approach. It was improving distribution system through extension of welfare system compared to previous administration.

In addition to these domestic conditions, outside circumstance also affect the concept of 'productive welfare' and the social job policy of Kim administration. The concept of social job policy was initiated in Europe where long term unemployment problem came into question in 1980s. The social job policy has been included in a concept of social economy in Europe. According as the social economy has been an official term in EU, the social economy became a widely used concept instead of the social job in Europe.

After late of 1990s, EU started to launch pilot projects and structural initiatives have stressed the importance of creating institutional and policy entities that combine economic goals with social objectives in an effort 'to meet the needs unsatisfied the market' and to promote 'a new sense of entrepreneurship' (Laville, 2003 : 390~391).

Especially, the meeting of the European Council in Luxembourg, 1997, declared that the member states would examine the opportunities to create employment supplied by the social economy. The definition of social economy selected by the EU confines it to four types of entrepreneurial and organizational forms- namely Cooperative, Mutual, Associations and Foundation. The description of the term's content arrived at by the working party was as follows: "Social economy means organized bodies which have primarily social purpose, are based on democratic values and are organizationally independent of the public sector. Their social and economic

activities are conducted mainly in associations, cooperative, foundations and similar bodies. Activities in the social economy have the public good or the good of their members, not private interests as the principal driving force (Westlund, 2003: 163~4)".

In view of above recognition and definition on social economy in EU, it shares several similarities with the social job policy under Kim administration. We can find several similar social backgrounds like social needs to solve unemployment and poverty issues, and to provide welfare system effectively under the economic depression mainly caused by rapid globalization. To be specific, several similar objectives between them are recognized: job creation, provision of socially benefit service unsatisfied by the market, combination economic goals with social objectives (welfare). These similarities reflect that the social job policy of Kim administration was affected by European debate and policy trial on social economy.

Since the social job policy was launched in 1998 in Korea, quantitatively, it has been dramatically extended by four times in 2007 and social entrepreneur policy was supplemented to it. Under Noh Mu Hyun administration, an ideological successor of Kim administration, the social job policy has evolved into the social service job. The social service job was a term to differentiate new objectives of policy from old social job policy under Kim administration. Compared to old social job policy, Social service job policy stressed the extension of social service and job creation for all people not just for the poor.

However, this policy has been criticized by the right and left wing at the same time. Even, the left wing which has insisted the extension of welfare system has blamed the social (service) job policy of Kim and Noh administration. Their main criticism has been that social (service) job policy has lost the meaning of '*social*'. They criticize

that low wage and job insecurity of social service job, and mainly, that government is trying to provide low quality welfare service with low cost. On the other hand, the right wing is strongly blaming the social service job policy on the ground that it is waste of money because of low efficiency.

Now, social service job policy is leading to controversy after 10 years since it was introduced. This policy was a new trial to solve unemployment and lagging welfare problem at the same time, and lots of budget has been invested in this policy. Therefore, failure of this social service job policy means the failure of new policy trial and waste of both a blood tax and the period of last ten years. Accordingly, we need to analyze the issues caused by the social service policy thoroughly and to examine whether it is solvable issues or not, and also whether there is still enough social needs to support social service job policy or not. If it is solvable issues and there are enough social needs to maintain social service job policy, consequently, we should find the alternative way to achieve the goal of social service job policy.

To analyze the issues and find the alternative way of social service job policy, we need to compare European and Korean approach for it because this policy was initiated in Europe and Korean government had an idea from that.

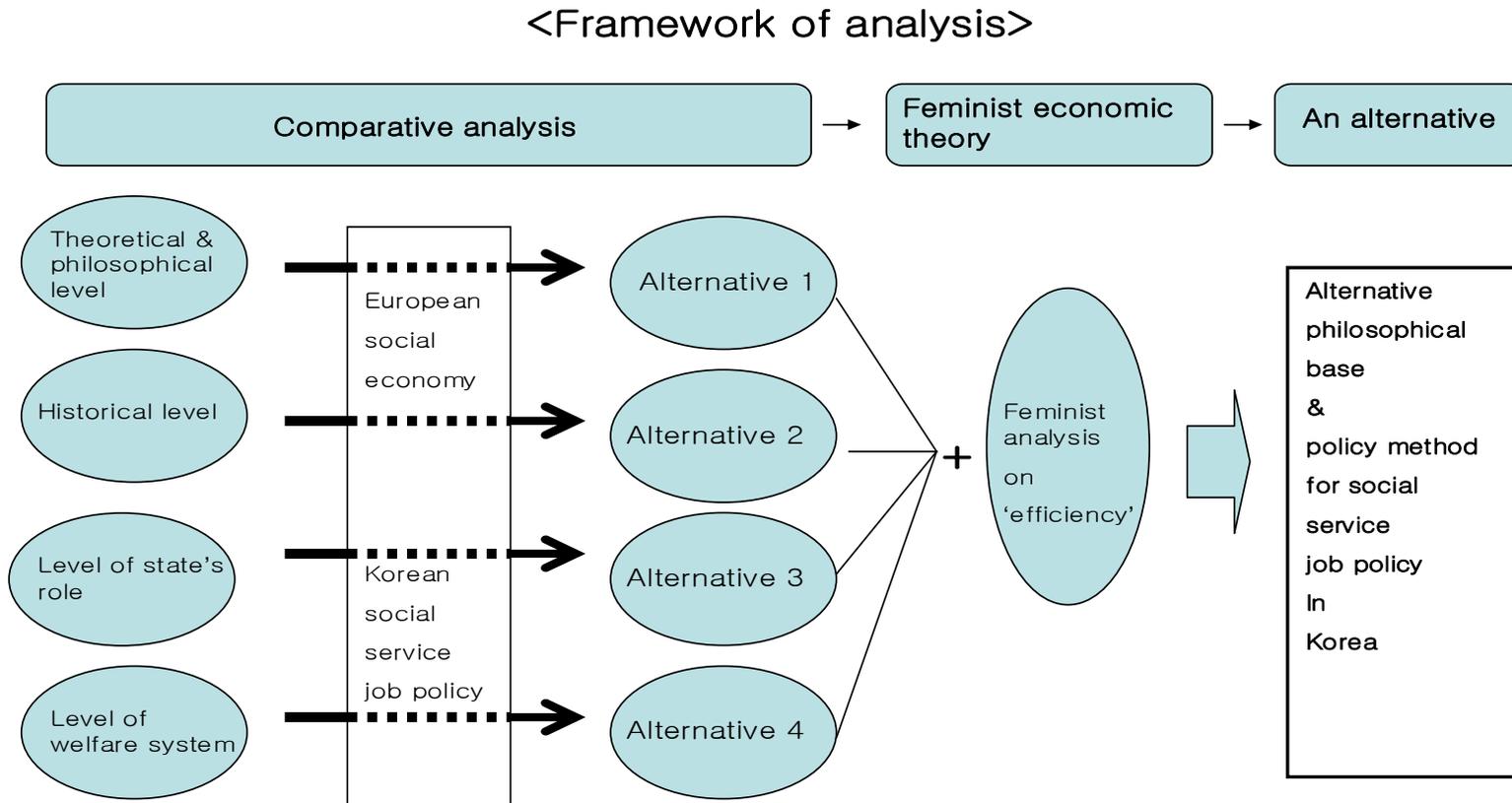
As I have mentioned, in view of the objective of policy, Korean and European policy on social service job shared several similarities between them. But in spite of these similarities, historical and social difference has made big difference between them. Of course, policy should reflect the social environment and based on its social special characteristics. But on the contrary, that difference can distort the origin contents and direction of the policy.

Therefore, I shall analyze what's the difference between European social economy and Korean social service job policy and what kinds of factors induce the differences. Of course, European approach to social economy is not unanimous within the EU. Yet, more and more there is a more dominant view of EU integration that reduces all activity to a single market that no room for a civil society based perspective. So, we could take common ground from diverse European approaches to social economy. I shall take four category levels as an analysis indicator: theoretical & philosophical level, historical level, and level of the state's role, the welfare base-the level of social expenditure. According to comparative analysis, this thesis will present the different factors between European social economy and Korean social service job policy and what factors have gave rise to big difference between them at each analysis category.

Finally, this thesis will suggest the alternative philosophical base and concrete policy method of Korean social service job policy to achieve original policy goal.

(2) Framework of analysis

<Diagram 1: Framework of analysis>



### **(3) The premise of analysis**

#### **1) Validity of analysis term – Social economy & Social economics**

Lutz, Social economist, provided the more understandable definition for social economy. According to his definition, the social economy is seen as an organic community that features a harmonious relationship of its various parts, with a general agreement on personal and social values, in which individual desires are modified by the need to meet the needs of others. The goal of the social economy is to provide for the basic needs of all-food, clothing and shelter- and to provide opportunity for each to achieve self-fulfillment and self-satisfaction. The economy as social relationship within the larger community, motivated by common recognition of social values, is contrasted with the view of the economy as competing individuals, motivated by materialist acquisitiveness, whose conflicts are converted to harmony by market forces (Fusfeld, 2001:93).

Before EU's concern, 'Social economy' was already no novelty concept in Europe. For a long time, it has been the branch of scholarship concerned with organizations of production and distribution for achieving the greatest possible sum of public good. This concept was first used in France. It seems to have been used there for the first time in 1830, by Charles Dunoyer in his paper *Nouveau traité d'économie sociale*. 19 century France was marked by violent class conflicts. The free market seemed to be creating the forces which would lead to its own collapse, as Marx had predicted. Economic thought in France became focused on "finding a compromise, on restraining the market and crass individualism by launching the pedagogical and political program which came to be known as *l'économie sociale*". During the

nineteenth century the leading social economists directed their attention towards measures for social peace and reduced class conflict, often in a conservative, paternalistic spirit. Profit-sharing was one of the methods advocated (Westlund, 2003: 164).

After Charles Dunoyer's work, social economics which created the theoretical approach on social economy emerged. According to Social economist, Lutz, the spirit and principle of social economics go up to Sismondi's economic thought, who became an advocate of a positive role for government in "the management of the national fortune for the happiness of all" including protection of the poor. And John Stuart Mill who distinct between the physical laws of production in classical economic theory and the social institutions that govern the distribution of income and wealth, then Carlyle and Ruskin, who criticize the materialism of the economy of their time and long for an essentially romantic world of the past that had different value were main theoretical contributors to social economics. And Lutz emphasize the theoretical effect of Karl Polanyi's work which argues that economic activity prior to the emergence of the modern market economy was embedded in other social institutions and Hobson who was one of the chief critics of economic orthodoxy in the early years of the twentieth century, an important advocate of social legislation to benefit working people and the poor (Fusfeld, 2001: 94~96).

Social economist inherited the point of view of above egalitarian scholarships have criticized the marketization perspective of mainstreaming economics. The tension between the social economics and the marketization perspective also forms the backdrop for a growing public debate about the relationship between the economy and society as well as between economic and social goals (Laville, 2003: 391).

And not only theoretical discussion with mainstreaming economists, but they also participated in making framework for the social economy to materialize their thought. The social economists have worked for the growth of related organizations such as “mutual” associations of diverse kinds, e.g. savings banks, credit banks and educational organization.

All things considered, in the analysis of social economy, it is difficult to avoid mentioning the social economics which give theoretical and philosophical perspective to the social economy. Accordingly, in this thesis, social economics as well as social economy is main part of analysis.

## **2) Validity of analysis term – Categorization of Europe**

Of course, each country in Europe has different social structure, experience, historical background in social economy. But the objective of this analysis is not to display those diversities but to find the core characteristics of social economy in Europe and to find the policy alternatives of Korean social service job policy through comparative analysis between Europe and Korean policy. We could find the commonality of social economy in European countries according to EU’s analysis documents and guide books on that. So, mainly, I shall follow the EU’s definition and policy on social policy for this analysis.

However, in detail analysis, when special characteristics need to be lighted, I shall mention about the each country’s case. To do it, first, I shall characterize the social economy of Europe into 3 categories based on Anheiers and Salamon’s analysis. Anheiers and Salamon divided the social economy into liberal model, social democratic model, cooperative model and Statist model according to the scale of social economy

and coverage of government's expenditure for social welfare.

**<TABLE 1> Type of social economy**

Government's social expenditure	Economic scale of social economy	
	Low	High
High	Social democratic model (Sweden, Finland)	Cooperative model (German, France)
Low	Statistic model (Japan)	Liberal model (USA, UK)

<Anheiers and Salamon, 1999: 63>

A liberal model is characterized by a large third sector coinciding with a low level of welfare expenditure and a statistic model is characterized by little state commitment, limited size of the third sector and the prevalence of care by the family. And a social democratic model is with a high level of state welfare spending and limited extent of the third sector and finally a corporatist model characterized by high levels of government spending on welfare and a strong third sector. This variety of regimes would also explain, according to the authors, the existence of different funding model: The liberal model with the relative predominance of voluntary and private contributions: the social democratic model together with the corporatist model with the predominance of government funding: the statist model with a predominance of funding coming from fees (Ranci, 2002).

According to this categorization, I shall select the representative countries of each category. I shall select UK for a liberal model, Sweden for a social democratic

model, German for a cooperative model. And Let me verify that Korea could be categorized into a statist model with Japan through following analysis. In each analysis category, I shall mention detail characters of representative countries.

## **II. Comparison between ‘social economy’ in Europe and ‘social service job policy’ in Korea**

### **(1) Analysis 1: Theoretical & philosophical level**

#### **1) Theoretical & philosophical base of social economy in Europe – Social economics**

The main characteristics of social economy by EU’s definition-Cooperative, Mutuals, Associations, Foundations- is in accordance with concern of social economics. Westlund evaluated that social economists worked for the growth of cooperations as well as mutual associations in Europe (Westlund, 2003: 164).

The theoretical perspective of social economics has focused on the practice of social economy and making concrete alternative through cooperations and associations.

#### **A. Social economics’ criticism on neoliberal market economy and alternatives**

Their first work of social economics was to challenge the hypothesis of market economics-self interest, individual choices, rational agents, interpersonal comparisons, pareto optimum, selfishness in market. Through criticism, they have produced the alternative hypothesis of social economics to assist the social economy.

A first point of departure from the neoclassical market economics concerns individual choice, self- interest and selfish agent. They argue that the basic error of neoclassical market economics is the assumption that all choices are individual choices caused solely by internalized value. The social dimension and social choices are

excluded, as if social relationships don't exist. But social economists argue that all knowledge raising choice is already relational and contextual, in that its meaning depends upon interpretative frameworks and circumstances (Langlois2001: Nooteboom 2000). Therefore, in the social economy perspective, self interest is not a fixed and dominant driver of human behavior, but rather exists in dynamic relation with an orientation towards cooperation and the common good, with the dialectic between the two being mediated by socio-cultural norms and ethical and moral value (Peacock, 2003: 213, recited). Yet, in the social economy perspective, people should not be seen as essentially cooperative, just as they are not essentially self-interested. Rather, patterns of cooperation should be seen as varying within and across societies, in ways that may be partly endogenous to economic process. In other words, cooperation is not just a matter of self-interested individuals anticipating reciprocity, but rather tends to arise when society as a whole would benefit from it (Starr, 2006: 206). For this reason, constructing social policy to benefit whole society becomes important issue at the social economics.

To challenge the concept of self interest, social economists criticize the notion of the preposition that interpersonal comparisons of utility are unscientific. Lutz argues that if we agree that we cannot prove a marginal dollar has more utility to a poor person than to a rich person, we also cannot prove the opposite. He argues that this proposition is a classic example of Godel's uncertainty principle; any large system of deductive logic must contain one or more propositions that cannot be either proven or disproven. He argues that such propositions must be accepted or rejected on the basis of assumption, casual empiricism, or faith not on the basis of deductive logic.

This logical problem is connected with one of major principle of neoclassical market economics. That is pareto efficiency and pareto optimum. General equilibrium theory tells us that, given an initial distribution of income and wealth, a perfectly competitive economy, very broadly and carefully defined, will provide the maximum net benefit to both individuals and to society as a whole. But a different initial distribution of income and wealth will lead to a different final distribution, and there is no way to prove that any given initial distribution is optimal like the logical error of impossibility of interpersonal comparison of utility (Fusfeld, 2001: 96).

Finally, they extend their criticism to the concept of 'rational' economic man based on self-interest and choices that seek maximum net satisfaction of individual wants. Peacock investigated the foundations of economic rationality. He indicated that as if social interaction including simple dialogue would impossible without taken for granted assumption and expectation, economic rationality, in the sense of choosing the best means to given ends, is scarcely conceivable in strategic situations if background rationality is absent. In light of this, it seems that background rationality is a moral expectation we make of others-they ought to act normally and we act as if we have a right to such an expectation. He argues that this requires adjusting our picture of the 'rational agent' who is not merely a monadic being pursuing its individual good, but a fundamentally social being whose rationality consists not only in the calculation of costs and benefits, but also in the mastery of social conventions and in the ability to act intelligibly, appropriately, in a word, normally. In order to demonstrate its significance, he made it visible using Holand Garfinkel's experiment and ethnomethodology (Peacock, 2003). To Lutz, it is 'reasoned rationality' that takes higher values into

account, consistent with social economics, should replace the orthodox concept of rationality based solely on individual preference ordering.

According to criticism on basic assumption of neoclassical market economics, social economists have tried to alternative assumption for social economics. Social economics see people as social animals who are concerned about others and who are affected by others, and who identify with the interests of others and with society in general. Through these trials, social economists have tried to develop the economics which has social harmony vision and moral value. Recognition of the necessity and importance of values and value judgement are important defining features of social economics.

And another important feature of social economics is active seeking the implementation of policies consistent with these values. The main question for economic policy is whose losses, and how we determine whose losses, will go uncompensated (Medema, 1992: 149).

This policy directed character of social economics went forward to criticize on amoral market and create alternative policy to overcome that. But unlikely traditional socialist thought, social economists think it neither possible nor desirable to marginalize markets within a modern complex economy. On the other hand, Hodson asserts, markets differ hugely in their internal mechanism and ramifications (Hodson, 2005: 549). Because the outcomes of markets depend very much on the cultural and institutional contexts in which they operate, social economists claim that we should avoid giving “the market” universally either an unqualified positive or an unqualified negative moral sign. Therefore, following Carl Polany’s argument that society is

embedded in the modern market economy, they want to reverse that situation by asking the government to impose humane goals on an often destructive market system.

At the same time, they mainly point out the limitation of market as missing market problem in human learning, education, provisioning essential goods and food for the poor. Therefore, public policy and civil society's role to compensate for market failure become important issues in social economics. Especially, the presence of a vital network of voluntary associations that is often termed 'civil society' has a function to overcome market failure and supervise the amorality of market in their regional base.

In addition, social economists try to change market boundaries through deconstructing the meaning of the word 'corporation' (Finn, 2003: 154~155). Hodgson argues that the firm is not a market because allocation and coordination are carried out by administrative rather than by market transactions (Hodgson, 2005: 550~551). So, we can deconstruct the meaning of the word 'corporation' to conclude that workers should be in charge of the process of production and should be the residual claimant to the net product. Capital and labor would be paid as part of the cost of production, but the net profit or loss would accrue to workers who carry out the process of production, not to stockholders or owners. And they assume that these labor managed firms will increase the possibility that firms act in the social and environmental interests of their local communities.

## **B. Logical consistency between social economics and social economy of EU**

With the rise of post-World War II industrialization, social economics progressively lost in importance. However, the rapid globalization process has provoked

a new wave of initiative. This has at least partly regenerated and given new strength to social economics by claiming a new political and social-economic project that contests the absolutization of market-economics and its concomitant market society (Laville, 2003:390).

This regeneration of social economics was closely connected with the revival of social economy entity of Europe. From the end of the 1970s onwards, the interest in the non-profit sector started to grow. The interest of researchers, academic centres, the general public, the European Commission and national governments in the sector steadily increased, particularly due to its ability to provide new social services, its job creation potential-especially in favour of long term unemployed-and its capacity to promote social cohesion. Reemergence and reinforcement of social economy in Europe provided the practical entity of social economist. Because social economics is active seeking the implementation of policies consistent with their values, many social economists were participated in the logical construction of social economy (Westlund, 2003: 164).

In the reality of social economy, philosophical and theoretical connection with social economics can be found. According to EU's document on social economy, EU emphasizes the main purpose and principle of each organization of social economy: Co-operatives, Mutual society, Associations, Foundataions, Social enterprise. The common purpose of these social organizations is serving the needs of their members or community based on solidarity not to make profits or provide a return on capital. These organizations of social economy devote their activities and reinvest their surpluses to achieving a wider social or community objective either in their members' or a wider interest. Organizations of social economy emphasize that voluntarism and democratic

structure with each member has one vote, majority decision making and an elected leadership accountable to its members. In these organizations, equitable, fair and distribution of economic result among participant workers are important principles. Therefore there isn't any distinction between employee and employer. Autonomy and independence is another principle of these organizations (1) The conclusion of comparison between European social economy and Korean social service job policy (<http://ec.europa.eu/enterprise/entrepreneurship>).

Even though EU's definition, real practice of social economy in many European countries shows the main moral purpose and organizational characteristics of social economics. Borzaga and Santuari evaluated that the association, main organizational type of social economy, was born as a "moral entity" for idealistic purposes, originally even hampered by the authorities of the state and rigidly separated from companies at large. They analyzed that the main characteristics of European social economy. First, social economic organizations pay particular attention to the creation of new jobs, especially for hard-to place people (long-term unemployed youth, for example). Second, they stress the local dimension of their activity, the strong link with a well defined community and with its needs. Third, although they don't distribute profit, they do not always assume, as the main or distinctive characteristics, the non-profit distribution constraint, however, they give more importance to the clear definition of the social goal, to the different stakeholders' representation, and to democratic control and management. Fourth, they follow "the multi-stakeholder", in which the membership and the executive board are shared among volunteers, workers, consumers and public authorities at the democratic principle. Fifth, they show a high propensity to innovate the supply of social services from several points of view: in the type of services

provided, in the target groups (often the more marginalized) and in the organization of services provision (great attention to active policies and to the empowerment of users)(Borzaga and Santuari, 2003; 40).

These characters of social economy are exactly correspondent to the idea of social economics: realization of socially responsible economic activity, provisioning essential social service goods and food for people to solve the missing market problem, construction of new corporate type which workers can get authority for management. In Europe, we can say that social economics and social economy share the common philosophy and theoretical points, and they have grewed up in coorportaion with each other.

## **2) Theoretical base of social service job policy in Korea – productive welfarism**

Theoretical base of social service job policy was found in theory of ‘productive welfarism’. Productive welfarism was used by the Kim Dae Jung administration seriously although that concept was created by the Kim Young Sam administration.

This concept was developed at the ‘planning group for enhancing the life quality’ within the President’s secretary office. It was announced as a third administrative principle of the Kim Dae Jung administration at 1999 with other principles of democracy and market economy.

The philosophical principle of productive welfarism was ‘human rights’, ‘labor right’, ‘social solidarity’. In the ‘human rights’ principle, it emphasized the welfare as human rights and civil right. And the principle of ‘labor right’ headed toward complementary cooperation of welfare and market through working in the market (Active welfare through working). Third principle, social solidarity, meant that community’s assistance and protection for the social weak and it was exploring the ways toward new frame of social solidarity in accordance with democracy and market economy (participant welfare) (planning group for enhancing the life quality, 2000) . Under these principles, main policy of productive welfarism was that guarantee the basic living line for the people remained under minimum living cost based on civil right but lead the workable people to self-support by helping human resource development. The purpose of this policy was enhancing people’s life quality, social integration, and finally achieving state’s development.

Although productive welfarism stressed the welfare as an important policy

for the first time in Korea, it is hard to find big difference of the productive welfare from previous welfare policy in terms of philosophical sphere, because it existed within the logic and philosophy of neo-classical economics which emphasize the absolute status of market, material efficiency and productivity.

First of all, the most important character of productive welfarism is that it keeps the market oriented standpoint thoroughly. In fact, concrete policy of productive welfare consisted of three categories. Firstly, to provide the opportunity of production and distribution within the market boundary for everyone through establishing fair market rules. Secondly, to help out the socially weak persons dropped out from the market competition with positive state's intervention. Thirdly, to provide the socially weak persons with self-supporting opportunity such by ensuring working right through job creation and work training programs. In this statement, the market is a criterion and objective of welfare. The object of welfare is limited to a dropout and the objective of welfare is pushing a dropout toward the market by means of limited welfare, again. Therefore, welfare is just supplementary tool for market's better function in the productive welfarism.

In addition to this, productive welfarism pointed out the importance of productivity and efficiency of welfare. The productive welfarism was based upon the criticism on generous welfare benefit of traditional welfare. Even though 'the welfare as human rights' was emphasized as one of principles of productive welfarism, paradoxically, Kim administration criticized the limitation of re-distributional welfare policy at the official document (planning group for enhancing the life quality, 2000). Kim administration argued that because traditional welfare brought about the welfare laziness, we had to find the complementary way to combine the market and welfare.

In these arguments of productive welfarism on traditional welfare, we can analyze what's the criterion of productivity and efficiency expressed by productive welfarism. That isn't different from the concept of productivity and efficiency in neo-classical economics - wealth maximization, output maximization, cost minimization or benefit cost differential. Eventually, final objectivity of productive welfarism is raising economic productivity through the feed back of welfare policy and aiming to economic growth (Park Cheon Ik, 2000: 4). From my point of view, theoretical and philosophical back ground of productive welfarism is neoclassical or neoliberal economics and philosophy. Generally speaking, this approach can be said as marketization of welfare.

This character of productive welfarism was inherited to the participatory welfarism of Noh Mu Hyun administration. The participatory welfarism was the concept to emphasize more civil participation in welfare system, but its logic was nearly similar to the productive welfarism.

This market oriented character of productive or participatory welfarism played a decisive role to determine the direction of social service job policy in Korea. To be specific, we can find that market oriented direction at the detail policy contents.

On top of that, social service job policy has pursued the profit intention. Noh administration which extended the scale of social service job has framed the profit oriented social service job policy since 2005. Ordinary type of the social service job policy was public benefit type which provided the social service and job opportunity to the poor. But Since 2005, government began to introduce the independent self-help oriented type which can produced the profit and small size business was excluded from support. And large scale of business such as enterprise related type and a wide area type were introduced since 2006. Enterprsie related type was the business which

related the large capital of enterprise with business know-how. For example, Kyobo life insurance's nursing business and SK telecom's lunch basket service for the poor. And a wide area type was the large scale business relating more than 2 cities or provinces. At the screening for support, profit-making & big scale business such as enterprise related type and a wide area type have been given warm reception since 2006. They can get a governmental support for 3 years in once screening compared to 1 year support for public benefit type. Labor ministry is planning to cut down the budget for public benefit type (Labor ministry 2005, Planning & Budget ministry 2007). According to tale 2, even though independent self-help oriented type, enterprise related type and a wide area type have been introduced since 2005 or 2006, it take 73.6% of total joining groups and 79.6% of total joining persons.

**<TABLE 2: The type and scale of social service job in 2006>**

Classification	Total	Public benefit type	Self support oriented type (since 2005)	Enterprise related type (since 2006)	A wide area type (since 2006)
The number of joining agency	450	119	315	7	9
The number of joining persons	7,924	1,613	4,854	690	767

<Ministry of labour, "the present state and problem of social service job business", 2006.11>

\* Scale standard

- 1) Self support oriented type and Public benefit type: the minimum number should be more than 10 persons per a business.
- 2) Enterprise related type and a wide area type: the minimum number should be more than 50

persons per a business.

\* Supporting standard

- 1) 700,000 won per a month, support for a premium of social insurance (8.5%) for 12 months to public benefit type
- 2) 3 years supporting guarantee for support oriented type, enterprise related type and a wide area type

Secondly, competition system between social service job businesses has been introduced gradually. In 2007, voucher system was introduced to social service job policy on the idea that more competition among more providers would make more efficiency. In this voucher system, government provides the voucher coupon to service customers and customers can select the service provider among the private companies and social service job providers. Therefore, social service job providers should compete with the private providers to get more customers for profit.

These market oriented character of social service job policy is connected to the minimum input strategy. For last 8years, the wage of social job participants has been quite low on the level of minimum wage. In 2006, wage of social service job was 700,000won per one person. Additionally, the participants of social job couldn't get social insurance opportunity and enough job training until 2006. Moreover, a contract is renovated in every 1 year except profit making model (3 years) and employment period of individual participants is limited to 10 month to avoid the retirement pay (Ministry of labour, 2006).

### **3) Comparison of the theoretical & philosophical level**

The social economy of Europe and social service job policy of Korea stand on the very different base in terms of theoretical and philosophical level, although they share 'welfare to work' approach. The social economy of Europe was inherited from the blood of social economy which explored alternatives beyond absolute power of the market, material efficiency and productivity, severe competition, selfishness. Therefore, the objective of social economy of Europe is provisioning socially necessary service and creating self organization for its member's interest and wellbeing with equal decision making relationship. Actually, EU's action plan for social economy emphasizes the non-profit, democratic structure, equitable, fair and just distribution, autonomy. And it also stress that social enterprises should devote their activities and reinvest their surpluses for achieving a wider social or community objective either in their member's or a wider interest.

Of course, there is some transformation from non-profit organization to economic organization at the real management of social economic form in European countries. Swedish social economist, Westlund, designated that the dominant feature of the change was the reconstruction of large established enterprises by conversion, in whole or in part, from social-economic forms to joint stock company form. There were also sell-offs of cooperatively owned industrial enterprises into private ownership. But he also explained this transform went with another movement to establish employee owned enterprises in the private and public sector (Westlund, 2003: 172).

The important thing is that pursuing profit, competition and material efficiency was not demanded by EU's policy. At least, EU has the view point that

acknowledges social economy's totally different characters in comparison to economic organization and applies different rules to social economic organizations.

In contrast, philosophical and theoretical back ground of Korean social service job policy is the productive welfarism which shares the common ground of neo-liberal economics. Creterion such as profit making, economic efficiency and large scale of organizations which have more possibility to produce more profits have been regarded as importantant factors. And compared to Europe, important social goals such as community solidarity, participants' empowerment and realization of democratic organization have been ignored by government.

So, even though European social economy and Korean social service job share the common goals such as job creation & provision of welfare, philosophical and theoretical background is totally different each other and it has produced the large differences at the real policy direction.

## **(2) Analysis 2: Level of the history and the state's role**

### **1) History of social economy and the state's role in Europe**

First commonality in European history of social economy is voluntary establishment and much experience in social economy before modern welfare state's advent. Until the end of the eighteenth century, charities, mutual organizations and co-operatives freely developed according to the changing social needs of the community. Social work, health care, alms housing and education were all areas in which charities and mutual benefit societies evolved (Borzaga and Santuari, 2003: 34). And lots of diverse volunteer associations functioned as a social economic reformer on the local base. But from the end of the eighteenth century, divisions and fragmentation in all social economy organizations were exacerbated by legal compartmentalization and integration into the dominant economic system. And it was caused by the the formation of universalistic welfare state systems, though to a different extent, in the European countries.

To be specific, in the case of Sweden, social democratic model, the development of social economy started in the middle of the nineteenth century. Sweden dissolved the guild societies in 1846 and the freedom of association was introduced a few years later (1864). These two developments interacted and overlapped in such a fashion as to reinforce the collective efforts of many ordinary people with very few resource, privileges, rights or alternatives and who were not able to organize themselves earlier. And in 1870s after rapid industrialization, lots of alliance bodies for masses emerged such as labor union movement, consumer's

cooperative association, housing and tenant cooperative association, organization for adult education and so on. These popular movements were based on open membership, democratic control and tried to challenge and reform previous social system. These popular movements and their Social Democratic allies rejected established ideas about poor relief as an expression of class oppression and also view charity as the poor being forced by circumstances to accept gifts from the rich. Rather than relying on charity, the popular movements developed and put into practice ideas of self-help, which decades later became the nucleus of general welfare state programmes, such as sickness and life insurance, unemployment insurance and so on.

After the formation of social democratic party in beginning of 1880, social democratic party came into power in 1932 and hold the power again based on the Red/Green Coalition in 1936. For several decades, strong basement of social democratic party was labor union and farmer's cooperative. And labor union and farmer's cooperative assisted the government to provide general social service and social insurance based on civil right as a welfare state. Until 1970s, Swedish government had spread the general welfare system aiming at providing basic social service to every citizen and protecting them from economic loss caused by disease, unemployment and old age (Pestoff, 2004: 68~71). The voluntary sector didn't oppose these developments, but on the contrary often supported and championed an expansion of government involvement. This can be seen as an extension of the process of integration and cooperation between the voluntary and public sectors which began as early as the nineteenth century, and it reflects a strong tradition of friendly relations between these two sectors (Lundström, 1996: 133-135)

In German, The churches and bourgeois groups created associations for

social help which, later on in the Weimar Republic, united under national umbrella organization such as the church-linked 'Caritas' and 'Diakonies'. In contrast, the workers' movement and the farmers envisaged 'bottom-up' reforms to the economy. This vision crystallized in cooperatives serving their members, especially in the area of consumer goods and housing, but also in producing marketing (in farming), and finally through spin-off processes by the institutionalization of cooperative banks. The Bismarck who held the power in 1862 legalized the associations and labor union was legalized in 1869. Labor union administrated the health insurance and served for their member by consumer's associations and bank associations in consumption goods and housing area.

In the short period of the Weimar Republic, there was a clear increase in both basic elements of the goods and service-producing part of the social economy. Cooperative underwent drastic expansion in the early twentieth century. There was the middle-class cooperative movement: small craftsmen, farmers, shop owners as well as housing cooperatives for both middle classes and some better off groups among the working class. The cooperatives for credit, purchasing and marketing proved to be adept vehicles for improving the economic position of the respective agents in the market. Their role within the market economy was to provide an insitutional menas of improving the social and economic situation for members of the cooperatives who considered themselves disadvantaged, and to allow them to take part in the market economy on equal footing with others. Another important branch of social economy was mutual health insurance. At the end of the nineteenth century, the economic strength of these organizations grew considerably. Seemingly, their special character was to a large extent absorbed when the welfare state health insurance became a quasi-

element of the public sector. Before Bismarck made it binding for workers and employers to contribute to health insurance, various different insurances had developed and taken shape, most of them on a solidarity basis. The welfare reform of 1883 gave these organizations a public status and added a further type of mutual association that was bound to a local community/municipality (Bode and Evers, 2004: 103~107).

Since Weimar republic in the 1918, associations formed the partner role with the government as providing the social service by social insurance and public budget. Until 1960s, welfare associations took the same function with public organization under the partnership with government.

Lastly, UK, liberal model, traditionally had had voluntary activity field and charity organization field and mutual aid associations. The law '1601 Statute of Charitable Uses' allowed the church to manage the school and supervise the charity organization and explore the social insurance field. And the Rose's Act in 1793 legalized the friendship associations which provided the insurance against unemployment and disease and the saving system for workers. Also, mutual aid associations were extended toward housing associations, consumer and producer's associations, labor union and became a major culture of work class in 18C and 19C. And it became a solid legal base through IPS LAW (Industrial and Provident Society Laws) in 1843 and 1862. But associations and their charitable activities were not funded by the government, but run with high degree of autonomy, because the objective of government in Victorian UK was "to provide a framework of rules and directives to enable society to manage itself to large measure" (Laville, Levesque, Mendell, 2004: 2).

Through these organizations, alternative economic paradigm of co-

ownership of production and consumption, and risk sharing came out against just emerging capitalism. But as government started to extend their role in economic and military function as a modern state, these associations absorbed into the state field by the National Insurance Act in 1911. And friendship associations and labor union were admitted their function as a supervisor of public health insurance (Chang Won Bong, 2005: 54).

According to the review of social background of social economy in each representative country, we can realize that the reason of fluent social economy in the social care field in Europe. It is a field in which state action started to develop much later than in the traditional fields of income security and pensions. The traditional presence of social economy has long been a substitute for direct state provision in European countries. And like Laville's evaluation, civic associationism evoked the broad and polysemous notion of solidarity and their effects were disseminated throughout the nineteenth century. In particular, they provided the basis for forms of public action that underlay the construction of a social state and welfare state.

But at the same time, institutionalization led to a widening gap between dimensions that had previously been linked. Ties with trade unions started to loosen because of ideological tensions within the labor movement. And social economic organizations lost their basis from the beginning of 20C, because economic development could correspond to the welfare demand effectively by the welfare state and the private corporation. As the belief of social progress were realized by the economic growth, the sector of economy, politics and society were divided and developed with self regular character. The tradition linking these three areas disappeared and social economic organization were treated as the part of economy

(Laville, Levesque, Mendell, 2006: 2).

Second commonality of European social economy is that social economy began to be lighted again and reemerge to cope with the economic and welfare budget spending crisis and serious unemployment problem since mid 1970s. From the 1970s, the European welfare systems began to crumble under the burden of financial and organizational difficulties. The decline in the rates of economic growth and the rise of unemployment were the main contributors to this crisis, which at the beginning, was mainly of a fiscal nature and led to growing public deficits. While public revenues grew at a slower rate than in the past, public expenditures increased faster, especially in countries with generous subsidies for the unemployed and for the retired and pre-retired. Most European countries reacted against the fiscal crisis both by reforming employment subsidies and by restructuring, slowing down or blocking the growth in the public supplyh of social services. However, the increasing inability of traditional macroeconomic and employment policies to reduce unemployment and to repond to an ever-swelling demand for social services, which proved to be increasingly differentiated and attentive to quality, gave birth also to a legitimacy crisis in European welfare regimes. In fact the crisis of the welfare system conincided with a decline in the informal provision of social services by the family, mainly due to the growing participation of women in the labour maket and to the reduction in the size of family. (Borzaga and Santuari, 2003: 38)

As these problems caused by the economic crisis deepened, awareness of the limitation of the traditional public and private sector steadily grew and the interest in other kinds of economic organization was strongly reactivated, somewhat like the search for a third way of development between capitalism and state socialism (Jacques

Defourny, 2001:3).

For instance, in UK, another work association movement was emerged such as Industrial Common Ownership Movement (ICOM) and Industrial Common Ownership Finance (ICOF) in 1971. As local governments started to use the finance for local economic development, they began to understand the possibility of associations for making useful opportunities for the unemployed and poor class. And in 1977 labor department legalized the work association and provided the public fund to ICOM and ICOF because they understand the potential power of social economy. But as conservative party which drove privatization and marketization and didn't interested in association movement hold the power, public fund for ICOM was stopped and the public policy for social economy was curtailed rapidly. It was new labor party's ruling time that social economy was regarded as a important social entity again. Third way between the market and state provided the new way to the social economy. Labor party recognized the possibility of social economy and tried to facilitate the social enterprises such as credit unions, community businesses, community development trusts and social cooperatives (Cartell, 2000: 33~49).

Also, in German, civil society tried to cope with high unemployment problem through the job creation in regional base and suggested the 'employment and training company (Beschäftigungs und Qualifizierungsgesellschaft, BQC)'. BQC was established as a company absorbing the bankrupted company at the regional base and it developed into 'employment promotion enterprises' which help the unemployed to integrate into labor market and social enterprises. And it was acknowledged publicly as a positive labor market policy and social policy by government.

In Sweden, many social policies were converted to the market oriented

deregulation and privatization in the face of economic crisis and welfare deficit financing. The Swedish government tried to search for the possibility of social economy to accomplish an alternative role in welfare. According to this process, government started to develop the new social service with social economic organizations such as welfare, health and education. Especially at the regional level, this trend was spread out. It was possible because some voluntary associations still provided services although universal welfare provision has marginalized the need for and role of volunteer organizations. In some well-defined areas, voluntary associations still play an important role in providing some services, such as education, health care and social services. As regard education, they are mostly found in adult education and residential colleges and in study circles. However, the popular movements, established cooperative movements and trade union movement don't have much in common today with the social economy movement in terms of their stance towards the developing welfare states.

However, despite of the unfavorable expression toward social economic trend by the popular movement, in 2001, Country Administration Board of Stockholm adopted 'The Stockholm Project for the Social Economy' which is working to provide the basic infrastructure for promoting cooperative development in the field of personal social services in Stockholm Country and in initiating a training course for spreading methods related to social accounting and auditing for small social enterprises(Pestoff, 2004: 63~79).

These historical facts of UK and German reflect that civil movement tried to establish their social economy again to cope with the unemployment and welfare reduction caused by privatization of welfare and the labor or social democratic

government positively accepted their policy as an alternative way. While, because the social economy of Sweden was relatively marginalized after the establishment of modern state due to the state's role to provide the wide range of welfare, the state initiated the establishment of social economy such as child care and nursing care field.

Like these example of representative countries of Europe, social economy is becoming more important actors in their economic and employment policy, nowadays. The social economic organizations are engaged in various activities. However, it is possible to break these activities down into two main fields: work integration and social and community care services provision. Work integration patterns are present in almost all European countries and the function of employment is regarded as important fact. We can estimate the effect of social economy of the national total employment by following two tables with different source origin.

**<TABLE 3> The employment ratio of social economy in EU (1995~1997)**

Countries and types of organizations	Full-time Equivalent jobs(FTE)	FTE as % of civil employment	FTE as % of salaried civil employment
Austria	233,662	6.91	8.08
Belgium	206,127	5.85	7.13
Denmark	289,482	12.56	13.85
Finland	138,580	6.92	8.18
France	1,214,827	5.93	6.81
Germany	1,860,861	5.77	6.46
Greece	68,770	1.81	3.31
Ireland	151,682	12.57	15.89
Italy	1,146,968	5.88	8.23
Luxembourg	6,740	4.16	4.6
Netherlands	769,000	14.69	16.64
Portugal	110,684	2.51	3.5
Spain	878,408	7.45	9.97
Sweden	180,793	5.15	5.83
UK	1,622,962	7.32	8.42
EU TOTAL	8,879,546	6.57	7.97

The source: The enterprises and organizations of the Third System, CIRIEC, 2000

**<TABLE 4> General overview of European social economy in 1998**

	Social Economy		
	Number of enterprises	Number of employees	Turnover in MECU
Denmark	68,641	210,424(3)	28,312
Spain	33,571	350,102	
France	314,923	1,575,781	
Italy(1)	221,412	531,926	
Portugal	20,304	145,515	5.955
Finland	8,317	94,703(3)	7,009
Sweden	184,838	169,564	13,322
Switzerland	11,119	365,618(2)	

Source: Eurostat

- (1) Italy 1999 data. Number of nonprofit institutions with one or more employees : 33601
- (2) Switzerland: number of persons employed.
- (3) Finland and Denmark: number of employees in full-time equivalent units: Not available.

According to the table 3 and 4, we can know that the employment ratio of social economy is significant high to affect the total employment policy. It means that social economy is making success in becoming an alternative solution to the unemployment problem in Europe.

## **2) History of social economy and the state's role in Korea**

First distinguishing characteristic in terms of Korean social economic history compared to above European countries is that formation of social economy was suppressed strongly by the Japanese imperialism and dictatorship for a long time.

Although Korea has the mutual help idea and practice such as Durae, Pum-at-si, Gae from the traditional society, economic concept of mutual help like social economy was introduced in the period of Japanese imperialism. Association movement started to give the economic benefit to the poor Korean and rescue the Korean economy from the Japanese imperialism and make resistance against capitalism since 1919.<sup>2</sup> Association movement was regarded as the socialist movement and was oppressed by the Japanese imperialism severely and in result, association movement was dissolved by Japanese imperialism forcibly in about 1933(Jang Won Bong, 2005: 177).

However, this situation couldn't improve at all even after liberation in 1945. While farmers begun to organize the farmer associations after liberation, Korean government deprive the right of making credit union of farmer association and later, military authority abolished the previous farmer associations and reestablished the new farm association in 1961. Then military authority delegated the officers to the top management seat. None the less, voluntary credit association was formed around the city by mainly catholic and poverty movement groups (Kim Yeo Gil, 1998: 35)<sup>3</sup>. But it was hard to maintain its self-regulation character by the supervision of government through the law.

And through 1970s and 1980s, some peoples tried to rebuild the worker cooperative association on the level of industrial missions. However, under the

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<sup>2</sup> In 1920, the Kyungseong consumer association and Mokpo association were established as the first association in Korea. And these movements were developed toward an active civil association movement as an association of student studying in Kyoto, Chosun farmer association by the chundo religion, Farmer association by YMCA started to be established.

<sup>3</sup> In 1960, the Sungga cooperative was established by Catholic Church for the first time in Korea and in 1963 'the association of cooperatives' was established. And in 1972, as the law of cooperative was passed in the assembly, 'the association of cooperatives' could formally start with 277 cooperatives in 1973 (Chang Won Bong, 2005:179).

Marxism which dominated the labor movement at that time, work association was criticized as a reformism. It was not until 1990s that work cooperative association reemerged around at the poverty movement group not the labor union. Diverse associations such as construction, needlework, electric fabrication corporative associations were established. Their main objective was to overcome the economic disadvantage of the poor and to establish the democratic community through reforming consciousness (Kim Hong IL, 2002:3). However, the limitation of labor intensive business, deficit of management & trained skill and the absence of legal status brought about the lots of difficulty for development.

But relatively, customer association has developed since 1980s. Its main issues included direct transaction of organic crops, and cooperative buying, childcare, public health. This activity was legalized as the law of customer association in 1999.

All things considered, except recent customer association's rapid development, other social economy has not had enough chance to grow up until Kim Dae Jung administration in 1997.

Secondly, in Korea, government initiated the social job policy through establishing social enterprise and self-help organization on the weak basis of social economy to overcome unemployment problem caused by economic crisis.

Korean government operated 'the public work project' to provide the simple public work for the unemployed within restricted period. And the government consigned this project to some civil movement groups which just begun to do their activity for overcoming unemployment problem after economic crisis. These civil movement groups excused the proxy for the government through free nursing business, food recycling business, forest cultivating business. However, because the wage of

these works was so cheap and work period was short, ‘the public work project’ couldn’t be a real help for the poor and unemployed. That was simply demanding the work in exchange for welfare.

Therefore, civil organizations asserted that government should convert the public work project to continuous social job policy and that demand could correspond to the ‘productive welfarism’ of Kim administration. Since 2000, self-help business officially started be supported by Kim administration and the number of participant organizations have increased from 70 in 2000 to 242 in 2007 (Welfare department of Korea, 2007).

**<TABLE 5> Change of the number of self-help organization**

Year	1996		2000	2001	2002	2003	2004	2005
Total number (organization)	5		70	169	192	209	242	242
Designation (number of organization)	5 (example project)		50	99	30	17	33	
Withdrawal or return					7 (withdrawal 4)			

<The source: The 2007 self help business guide, the welfare ministry, p232>

Also, the participant scale of social service job has extended from 2,000 with 73 billion won in 2000 to 111,616 persons with 6,757 billion won in 2006 (The labor department of Korea, 2007). In addition, the law for social enterprise was established in 2007.

**<TABLE 6> The scale of social service job in Korea**

	2003	2004	2005	2006
Participant department	Labor department	6 departments	7 departments	8 departments
Budget	73	949	1,691	6,757
Number	2,000	47,491	69,314	111,616

<The source: The labor department of Korea, 2006>

Although its effect on the total employment rate is weak, the importance of the social service job policy in terms of job creation and welfare function is being watched with keen interest in Korea.

### **3) Comparison of history and the role of the state**

All things considered, the level of history and the role of the state in the social economy are quite different between European countries and Korea. UK, German, Sweden have a fluent history on social economy fulfilled by civil society from 19C and it pursued the solidarity based on democratic and self-regulated economic organization. It was trial to establish alternative economic paradigm against the capitalism at that time.

This historical difference also induced the difference at the state's role on social economy, too. We can say that UK, German and Sweden government have something in common with Korean government in the aspect of government's progressive role to extend the social economy in the face of the economic crisis and unemployment problem. However, in the case of UK and German, social economy organizations had maintained and extended their role in face with the crisis of employment before the government's progressive participation. So, mainly the role of the state was an assistant and catalyst. Unlike this, Swedish government extended the social economy without enough existence of social economic organizations after economic crisis. But although the state's welfare system absorbed the social economy after the beginning 19C, because Swedish social system was based on strong corporatism with labor union, there were some boundaries in ideological perspective of

the state's control role on social economy. Sweden social economist, Westlund, evaluated that the social economy concept was no novelty in Sweden and for a long time philosophy of the social economy was the same thing as the national economy under the social democratic authority (Westlund, 2003: 164). In addition, Swedish society already experienced the social economy at the regional base.

As distinct from this, trial to establish alternative social economy was suppressed severely by the Japanese imperialism and dictatorship in Korea, due to its anti-imperialist, anti-dictatorship character. Additionally, in contrast to Europe which labor unions were connected to the associationism, labor unions in Korea had an unfriendly relation with associationism because of their Marxian intention. In the situation which social economy was undeveloped at the regional base, the state had an initiative to design the frame of social economy. Administrative rules for social economic organizations were designed by the government without the participation or agreement of social economic organizations. To illustrate, government regulated that employment period of participants should be restricted to less than 1 year, and social insurance wasn't applied to the participants until recently<sup>4</sup>. In addition, government introduced the preferential treatment to profit-making group in 2006 and the voucher system in 2007 without agreement of social economic groups.

Although social economic organizations and civil movement organizations opposed these policy directions, their opinions were hardly accepted by government, because the government didn't have cooperative channel with them.

All things considered, the role of the state on social economy in Korea is

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<sup>4</sup> Social insurance has been applied to the participants of social service job policy since 2006.

closer to the controller unlike Europe. In Europe, social economic organizations had enough power to negotiate with the government while Korean social economic organizations couldn't have enough pulling capacity against the government.

Nowadays, more and more conflicts between government and joining groups of social service job policy are being raised. But government is driving their direction without enough agreement process with joining organizations. It is threatening the important principles of the social economy- democracy, self regulation, and social harmony vision.

### **(3) Analysis 3: The welfare base - the level of social expenditure**

One of main reason why social economy was initiated by the state since the middle of 1990s in Europe was the concern of social expenditure deficit and low efficiency of welfare to solve the unemployment problem. As shown in table 7, the social expenditures of Sweden, German and UK were over above 20% of GDP, already. And the social expenditure per GDP of German was reached a peak of 27.6% in 1997 and Sweden was of 35.4% in 1994 and UK was of 23.7% in 1993. But regardless of large social expenditure, unemployment rate were gradually increased in German and Sweden. In German, unemployment rate went up to 9.2% in 1997 and in Sweden it went up to 9.9 in 1997 according to table 8.

In this situation, Social economy strategy was recognized as a chance to reform their costful welfare system, because it can change their welfare system from costful cash benefit which can make welfare lazy to service benefit which can cause job creation in the welfare field. Moreover, social economy strategy can function as a redistribution actor at the regional base unlike the privatization strategy. Because social economic organizations tend to be established to provide the service for fragile population whom public policy can't recognize sometimes and they can provide the service cheaply using donation and volunteers, it help the redistribution of resource and income within regional community (Korean labor Institute, 2003:27).

On the contrary, the situation to which Korean government introduced the social job policy, the Korean style social economy, in 1997 was totally different from Europe. Until 1996, the social expenditure pre GDP was just the level of 3%. And after economic crisis, it raised to the level of about 6% until 2001 according to table 7. In

other words, Korea didn't face with deficit of the welfare finance. Nevertheless, discourse of the European countries on welfare finance deficit and the issue of raising efficiency of welfare system became the main arguments in Korea. The conservative party and economists started to blame that the extension of welfare was pouring the money into nonproductive area and would cause the finance deficit problem like Europe. As I have mentioned, productive welfarism reflected this critical issue. Instead of extending the cash benefit and welfare service by the government, Korean government selected the provision of welfare service by the social economic organizations, because government just could pay the level of minimum wage to workers of social economic organizations and control them by the regulation easily. Therefore, in the context of Korean situation, suspicion that the state selected this policy to evade its responsibility from the welfare and to avoid the rise of the welfare expenditure can not be avoided.

<b>&lt;TABLE 7&gt; Public social expenditure</b>											
<b>Total public social expenditure</b>											
<b>In percentage of GDP</b>											
	<b>1980</b>	<b>1981</b>	<b>1982</b>	<b>1983</b>	<b>1984</b>	<b>1985</b>	<b>1986</b>	<b>1987</b>	<b>1988</b>	<b>1989</b>	<b>1990</b>
Germany	23.0	23.7	23.8	23.4	23.1	23.6	23.6	23.9	24.0	23.0	22.8
Korea	M	m	m	m	m	m	m	m	m	m	3.1
Sweden	28.8	29.8	30.0	30.3	29.0	30.0	30.0	30.1	30.6	29.9	30.8
United Kingdom	17.9	19.5	20.1	20.9	21.0	21.1	21.2	20.5	19.1	18.6	19.5
United States	13.3	13.5	14.0	14.1	13.2	13.0	13.1	13.1	13.0	13.0	13.4
OECD-21 *	17.7	18.5	19.1	19.5	19.1	19.6	19.6	19.7	19.5	19.4	20.5
	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
Germany	24.9	26.4	26.9	26.9	27.5	28.1	27.6	27.4	27.4	27.2	27.4
Korea	2.9	3.2	3.3	3.4	3.6	3.9	4.2	5.9	6.9	5.6	6.1
Sweden	32.4	35.3	36.8	35.4	33.2	32.7	31.3	31.1	30.6	29.5	29.8
United Kingdom	21.1	23.1	23.7	23.2	23.0	22.8	22.0	21.5	21.2	21.7	21.8
United States	14.5	15.2	15.4	15.4	15.4	15.2	14.9	14.4	14.2	14.2	14.7
OECD-21 *	21.6	22.7	23.2	22.8	22.5	22.6	22.2	21.8	21.8	21.5	21.8
*1999 data for Turkey for 2000 and 2001 OECD averages.											
Source: OECD (2004), Social Expenditure Database (SOCX, <a href="http://www.oecd.org/els/social/expenditure">www.oecd.org/els/social/expenditure</a> ).											

<TABLE 8> Unemployment rate comparison

Dataset: Labour Force Survey

Subject Standardised Unemployment Rate (SUR)

Sex All persons

Measure Level, rate or quantity series, s.a.

Frequency Annual

<b>Time</b>	<b>1985</b>	<b>1986</b>	<b>1987</b>	<b>1988</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>
Country											
Germany	7.1	6.5	6.3	6.2	5.6	4.8	4.2	6.4	7.7	8.3	8
Korea	..	..	..	..	2.6	2.4	2.4	2.5	2.9	2.5	2.1
Sweden	2.8	2.6	2.2	1.8	1.5	1.7	3.1	5.6	9	9.7	8.8
United Kingdom	11.2	11.2	10.3	8.5	7	6.9	8.6	9.8	10.1	9.3	8.5
<b>Time</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Country											
Germany	8.5	9.2	8.8	7.9	7.2	7.4	8.2	9.1	9.5	9.5	8.4
Korea	2.9	2.6	7	6.6	4.4	4	3.3	3.6	3.7	3.7	3.5
Sweden	9.6	.9.9	8.2	6.7	5.6	4.9	4.9	5.6	6.3	..	..
United Kingdom	7.9	6.8	6.1	5.9	5.3	5	5.1	4.9	4.7	4.6	..

data extracted on 2007/03/25 08:20 from OECD.Stat

More importantly, this gap between the social expenditure of Korea and European countries has brought about the limitation of Korean social economy compared to European countries. The prerequisite condition for development of social economy is the well developed welfare benefit system because low income population can't use the service of social economy without the government's support. Therefore, the more public welfare supporting system can cause the more success of social economy.

Moreover, the strong interdependence between the welfare state and the social economy is one of the most important features of the social economy in Europe (Borzaga and Santuari, 2003: 33). As shown in the table 9, the expenditure of social service for old peoples and disabled peoples and health service in Sweden, German and UK per GDP are quite higher than Korea. Korea's social expenditure for these fields is even below than Poland which economic scale is smaller than Korea. Because these fields are the main service fields of social economy, low public expenditure for these field are directly link to the low service demand for social economic field.

All things considered, in Europe countries social economy strategy was chosen by the state again when welfare system was extended and the deficit of social expenditure took place, while in Korea the state drove the social economy strategy (social service job policy) before welfare system settled down. Thus, in Korean context, social economy strategy functioned as a tool to avoid the state's responsibility for the welfare and prevent the growth of social expenditure by low cost service of social economic field.

<TABLE 9> Public social expenditure by field

1. OLD AGE

In percentage of GDP

	1985	1986	1987	1988	1989	1990	1991	1992	1993
Germany	10.1	9.9	10	10	9.8	9.9	10	10.2	10.6
Korea	M	M	M	m	m	0.7	0.7	0.8	1
Poland	M	M	M	m	m	4.3	6.8	8	8.2
Sweden	8.4	8.5	8.4	8.6	8.6	8.7	8.9	10.6	10.9
UK	6	6	5.8	5.5	5.4	7.2	7.8	8.2	8.3
	1994	1995	1996	1997	1998	1999	2000	2001	
Germany	10.7	11.1	11.3	11.3	11.4	11.4	11.5	11.7	
Korea	1	1.2	1.1	1.2	2	2.7	1.4	1.2	
Poland	8.1	8	7.8	8.1	7.7	7.8	8.1		
Sweden	10.5	9.9	10.1	9.9	9.7	9.5	9.2	8.5	
UK	8.2	8	8.1	8.1	7.9	7.9	8.2	9.2	

Source: OECD (2004), Social Expenditure Database (SOCX, [www.oecd.org/els/social/expenditure](http://www.oecd.org/els/social/expenditure)).

Source: OCDE (2004), Base de données des dépenses sociales (SOCX, [www.oecd.org/els/social/depenses](http://www.oecd.org/els/social/depenses)).

## 2. Incapacity related benefits

In percentage of GDP

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Germany	1.9	1.8	1.8	1.8	1.7	1.8	1.8	2	2.1	2.1
Korea	m	M	m	m	m	0.3	0.4	0.4	0.4	0.4
Poland	m	M	m	m	m	3.5	4.9	5.9	6.1	6.1
Spain	2.5	2.5	2.4	2.5	2.6	2.3	2.5	2.6	2.7	2.6
Sweden	4.6	4.8	5	5.7	5.7	5.6	5.4	4.8	5.4	5.2
UK	1.5	1.6	1.7	1.7	1.7	2.1	2.3	2.5	2.7	2.7
	1995	1996	1997	1998	1999	2000	2001	2002	2003	
Germany	2.2	2.4	2.4	2.4	2.3	2.3	2.3	2.3	2.3	
Korea	0.4	0.4	0.5	0.5	0.4	0.4	0.4	0.4	0.5	
Poland	6	5.9	6	6		0.1		0.1	0.2	
Spain	2.6	2.6	2.4	2.4	5.9	5.5	5.9	5.5	5.5	
Sweden	5.1	4.7	4.5	4.7	2.3	2.4	2.3	2.4	2.4	
UK	2.8	2.8	2.8	2.7	4.7	4.8	4.7	4.8	5.2	

Source: OECD (2004), Social Expenditure Database (SOCX, [www.oecd.org/els/social/expenditure](http://www.oecd.org/els/social/expenditure)).

Source: OCDE (2004), Base de données des dépenses sociales (SOCX, [www.oecd.org/els/social/depenses](http://www.oecd.org/els/social/depenses)).

### 3. Health

#### In percentage of GDP

	1985	1986	1987	1988	1989	1990	1991	1992	1993
Germany	7	6.9	6.9	7.1	6.5	6.5	7.1	7.7	7.6
Korea	m	M	m	M	m	1.7	1.5	1.6	1.6
Mexico	1	0.9	0.9	1.1	1.4	2	2.3	2.4	2.5
Poland	m	M	m	M	m	4.6	4.8	4.9	4.5
Sweden	7.8	7.6	7.6	7.5	7.5	7.5	7.2	7.3	7.5
United Kingdom	4.9	4.9	4.9	4.8	4.8	5	5.3	5.8	5.8
	1994	1995	1996	1997	1998	1999	2000	2001	
Germany	7.8	8.1	8.4	8.1	7.9	8	7.9	8	
Korea	1.6	1.7	1.9	2.1	2.4	2.4	2.6	3.2	
Mexico	2.6	2.4	2.1	2.4	2.5	2.7	2.6	2.7	
Poland	4.2	4.2	4.5	4.2	4	4.2	4	4.4	
Sweden	7.1	7.1	7.3	7.1	7.2	7.2	7.1	7.4	
United Kingdom	5.8	5.8	5.7	5.4	5.5	5.7	5.8	6.1	

Source: OECD (2004), Social Expenditure Database (SOCX, [www.oecd.org/els/social/expenditure](http://www.oecd.org/els/social/expenditure)).

#### 4. Family

##### In percentage of GDP

	1985	1986	1987	1988	1989	1990	1991	1992	1993
Germany	1.8	1.8	1.8	1.8	1.7	1.7	2	2.1	2.1
Korea	M	M	m	M	m	0	0	0	0.1
Mexico	0	0	0	0.1	0.1	0.3	0.3	0.3	0.3
Poland	M	M	m	M	m	1.8	2.4	2.3	1.9
Sweden	4.2	4.2	4.2	4.2	4.1	4.5	4.9	4.9	4.4
	1994	1995	1996	1997	1998	1999	2000	2001	
Germany	2	2	1.9	1.9	1.9	1.9	1.9	1.9	
Korea	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
Mexico	0.3	0.3	0.2	0.2	0.3	0.3	0.3	0.3	
Poland	1.5	1.1	1	0.9	0.9	0.9	0.9	0.9	
Sweden	4.2	4	3.6	3.5	3.6	3.7	3.7	3.8	

Source: OECD (2004), Social Expenditure Database (SOCX, [www.oecd.org/els/social/expenditure](http://www.oecd.org/els/social/expenditure)).

### III. Conclusion

#### (1) The conclusion of comparison between European social economy and Korean social service job policy

In conclusion, according to the comparison between European social economy and Korean social service job policy, I can see the big differences on each indicator like below table.

<TABLE 10 >

#### Comparison between European social economy and Korean social service job policy

	Theoretical & philosophical base	History	the state's role	welfare base (social expenditure)
Europe	Logic of social economics	Self developmental history From 19C	Assistant role	Well developed welfare base / high social expenditure
Korea	Logic of neoclassical or neoliberal economics	Suppression by the imperialism and dictatorship /short history	Control role	Under Developed welfare base/ low social expenditure

As shown in table 10, even though social service job policy was introduced to Korea through the investigation of European policy, we can see that it doesn't share commonality with European social economy policy in the level of concrete policy. In Europe, the social economy has developed as an alternative economic movement from the beginning of capitalism based on different economical and philosophical basis. Therefore, in Europe, the social economy has been acknowledged as an alternative actor at the community level. And due to that history, the social economy could maintain its character such as self-governance, democracy and non-profit. Also, a well developed social welfare system and a high percentage of social expenditure became a basic condition to guarantee success of the social economy. Overall, we can conclude that the European social economy has acknowledged and developed its unique area and characteristics with support from the state including the EU.

However, in the Korean context, these characteristics of European social economy were blocked. In Korea, the state initiated the creation of the social economy through its social job policy when social economy didn't grow up from the grass root level. The Korean social economy didn't take root in the regional base and wasn't acknowledged as important by most of the population. Therefore, social economic organizations could not effectively oppose the government's policy direction on the social economy, such as the introduction of competition, the preferential treatment of profit & large scale organizations, low wage and so on. The most important principles of European social economy such as self-governance, democratic management and non-profit principles have been mostly ignored in Korean context. Moreover, the low social expenditure levels in the welfare field have been an obstacle to the development of social economy. This is so because low investment for social expenditure makes

people's demand for social economic service fix at the low rate.

All things considered, we can say that Korean social economy follows the statistic model which is characterized by the state's strong control of the social economy and a restricted scale of the social economy.

Nowadays, social service job policy is criticized severely by the left and right wings together in Korea. The Right wing criticizes the low efficiency of the policy compared to the budget investment and the left wing blames the destruction of the principles of social economy. The criticism on the social service job policy from both sides is that it fails to make effective outcome.

Then, what's the alternative way to achieve the effective outcome in social service job policy in Korea? The outcomes of the comparison between Europe and Korean social economy can make clear that. I would like to explore the alternative way for it at the following chapter.

**(2) Towards an alternative policy for success of the social service job policy in Korea: Sangbusangjo economy and economics**

Is it effective tool to evaluate the efficiency of social service job policy by indicators such as profit maximization, output maximization, cost minimization, benefit-cost differential? Does it make efficiency for the social service job policy to introduce competitive concept? Can neo-classical or neo-liberal economic approach always have all round capability in finding the right solution for any areas of economy? My answer is 'No'.

Because social economy's main interest is provisioning of social service which can't be provided due to market missing and job creation at the community base, the criterion of measuring the efficiency should be quite different from the market. If social economy is operated by the neo-classical or neo-liberal economic approach, it will cause inefficiency instead. That's why European countries acknowledge social economy's unique philosophical & theoretical base such as non-profit, cooperation, self-governance, democracy, contribution to community.

Therefore, we need to create the alternative economic philosophical base for the social service job policy instead of the truncated vision of market economy. I got the inspiration of the concept of 'plural economy' by Laville, French economist, to create the alternative perspective.

According to Laville, economy is divided into three poles. That is the market economy, the non-market economy and the non-monetary economy. Each economy has each area, character and principle. The market economy is an economy in which goods and services are produced based on the motivation of material

interest, with the distribution of goods and services being entrusted to the market, which arrives at the price that brings supply and demand into balance so as to arrive at the exchange of goods and services. The relationship between calculations that allows economy processes to proceed autonomously and unrelated to other non-market social relations.

And the non-market economy is an economy in which the production and distribution of goods and services is entrusted to organizations and processes governed by the welfare state. It is not the market but another economic principle, the principles of redistribution that is mobilized to provide citizens with individual rights, and based on these rights to the benefit they receive from social security, welfare or emergency assistance for those who belong to the most disadvantaged groups within society. The public service organized inside the welfare state is defined by a delivery of goods or services involving a redistributive dimension, generally from the rich to the poor, from the active to the inactive, and so forth. The rules governing this redistribution process are spelled out by public authorities that are subject to democratic control.

And lastly, the non-monetary economy is an economy in which production and distribution of goods and services depend on reciprocity. Some feminist economists expressed it as 'gift economy' 'care economy'. Reciprocity is a relationship established between groups or persons through mutual benefits that only acquire meaning if participants decide to establish a social link that allows them to interact. The reciprocity cycle is different from a market exchange relationship because it is inseparable from human relationships that also invariably bring a desire for recognition and power into play. Reciprocal exchange is also distinct from the

redistributive exchange, because it is not imposed by a central authority. The principle of house hold administration which consists of producing for one's own use, providing for the needs of one's 'natural' affiliation group can be understood as a particular form of reciprocity. (Laville, 2003: 400~401)

The feminist economics can complement the principles of non-market and non-monetary economy. Nelson, feminist economist, has proposed an alternative way to evaluate economies based on the notion of 'provisioning'. In the perspective of the 'provisioning', the concept of efficiency needs to be extended toward holistic understanding. Gilman suggested the holistic understanding of efficiency: Allocate efficiency through specialization and economies of scale, distributive efficiency through intrinsic motivation rather than the profit motive, ensuring that what is wanted and needed is what is produced. And dynamic efficiency to a much larger extent than market economics, since the diversification of production reduces uncertainty and risk, and the high levels of trust and responsibility among producers and consumers reduce the occurrence of economic crises while limiting the incidence of negative externalities such as pollution (Staveren, 2003: 65). So, at this alternative concept of efficiency, efficiency and equity should no longer be understood as trade-offs as in pareto optimality but as positively related: the more equity, the more efficiency.

The most important fact earned from 'plural economy' of social economics is that our daily life consists of diverse economic fields which have different principles and values. So, there isn't one-fit-one-solution for these economies and market economics isn't an omnipotent key for other economies. And feminist economics provided the alternative cognition of efficiency.

All things considered, we can acknowledge that the social service job policy is connected to the non-market economy and partly non-monetary economy. Therefore, it should be evaluated by different economic principle.

To make clear the unique economic philosophy for social service job policy, I would like to create the alternative economic philosophical concept based on Korean traditional experience. That is ‘Sangbusangjo economy & economics’ (Sanbusangjo means ‘mutual help’). Because ‘Sangbusangjo’ has been an ordinary word used from Korean traditional society and still it has effective role at the daily life, Korean has concrete image of this concept and understand what’s the philosophy and principles of it. Besides, traditional Korean social economy ‘Durae’ and ‘Pumaksi’ were based on this thought.

In the perspective of Ssanbusangjo economy & economics, the objective of social service job policy should be ‘redistribution’ and ‘provisioning’. Therefore, efficiency should be calculated by how much redistribution is achieved and also, in this course, how much basic principles such as democratic control and reciprocity are satisfied. In other words, social service job policy should consider holistic vision of efficiency such as the allocate efficiency, distributive efficiency and dynamic efficiency not market efficiency such as profit maximization.

If we consider the social service job policy with holistic vision of efficiency, we could understand the importance of social service job policy more deeply and decide the correct policy direction to improve the holistic vision of efficiency. For example, even though social service job doesn’t make profit, it can provide the necessary welfare service to the peoples and it helps the benefiteres to have better health condition and improve their life quality. Especially, it can give

women chance for exploring better job through providing caring service carried by women. Also, because social service policy provides the job to unemployed peoples, it can help those peoples to find the hope for their life and make their family member including children get better chance to be educated and treated well. And it increases not only the productivity of local economy but also stir up the domestic market through raising demand power of those peoples. Furthermore, social service job policy can affect the integration of the local community by creating mutual help culture. But if government calculates only material efficiency at the narrow boundary by comparison input with output, it would fail to find the other dynamic efficiencies which produce so many positive externalities.

More debates on the alternative economic philosophy for social service job policy need to be raised. If just the logics of market economy & economics are applied to the social service job policy, this policy must be failed to achieve its ordinary policy goal- provisioning social service and job creation at the community level.

Until now, this thesis has analyzed the difference between European social economy and Korean social service job policy, and through this analysis it suggested the alternative philosophical approach to Korean social service job policy.

Now, Korean social service job policy is standing at the cross road to growth or cutback. This thesis strongly supports that the only way to obtain a good social result in social service job policy is introducing differential philosophy from market oriented economics- that is the sangbusangjo economics.

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