

## RESEARCH ARTICLE

### Can social enterprise stand for persons with disabilities?

#### : The case of Korean social enterprises, 2007-2008

*forthcoming, Journal of Asian Public Policy* (London: Routledge)

Yonghyun Kim \*

*Department of Sociology, Yonsei University, Seoul, Korea*

This article explores whether social enterprise can be an alternative for work integration of the disabled. While persons with disabilities have undergone more severe exclusion than have other socially disadvantaged groups in the labour market, social enterprises selected the disabled as one of their main target groups, helping enact disability-centered public policy. However, unlike the high expectation social enterprise gained during its formation, less attention has been paid to the actual content and goal of social enterprise.

This analysis of 154 Korean social enterprises shows that the disabled are the most represented among socially disadvantaged groups in social enterprises. At the same time, disability-centered social enterprises considerably focus on creating jobs for the disabled rather than on providing social services for them. The findings are discussed in relation to some policy implications and issues facing social enterprises.

**Keywords:** social enterprise; disability-employment; job creation; work integration

#### **Introduction**

Since the 1990s there has been a remarkable growth in the third sector, the so-called social economy. In the social economy, unlike in the market or private economy, public utility precedes market competition and profit-maximizing (Defourny 2001). Following this path, a new kind of organization called social enterprise has emerged as a businesslike organization, in contrast to the traditional nonprofit organization (Dart 2004). Despite their different origins in Europe and the United States, most social enterprises perform entrepreneurial activities in order to provide decent jobs or social services (OECD 1999).

---

\*Email: yonghyunkim@yonsei.ac.kr

At the same time, in Asia, transformation toward ‘productivist welfare’ or ‘workfare’ became tangible (Jessop 1993, Wad 1999), although it did not coincide with the movement in Europe (Torfing 1999). In 2007, Korean government passed a bill (*Social Enterprise Promotion Act, SEPA*) designed to certify and support social enterprises. In particular, *SEPA* set four target groups. Women, the unemployed, elderly, and disabled are defined as socially disadvantaged groups. However, in spite of the high expectation social enterprises gained *before* they were initiated (Jung 2006, KEPAD 2006, Kim 2006, KOWPAD 2006, Moon 2006, Roh 2005, 2007), little research about the actual goals and content of social enterprises has been done. Such studies would show not only the relationship between previous public policies and social enterprise, but also whether social enterprise can be an alternative for various disadvantaged groups, particularly persons with disabilities.

In this article, I question if social enterprise can be an alternative for work integration of persons with disabilities. This is specified in three stages. First, I briefly describe the work position of persons with disabilities in Korea and introduce the concept of social enterprise. Second, I trace how social enterprise developed in Korea in relation to previous public policies. Last, I analyze how work integration of persons with disabilities is taking place in Korean social enterprises. Through this process, I expect to find out how social enterprises can adapt successfully to Asian societies. I believe that the experience of Korea can be a valuable precedent under the situation that social enterprises are being considered the most attractive alternative to existing welfare programs.

### **Disability-employment in Korea: *the dual exclusion***

Previous studies usually defined work integration as “activities that aim at covering an unmet demand which the ordinary labour market and traditional public employment promotion policies do not completely satisfy, that is the social integration through work of those with a low level of employability” (OECD 1999, Vidal and Claver 2004). By adopting this definition and examining programs supporting the disabled to achieve work integration in Korea, we can roughly divide those programs into two categories: First, legally prohibiting discrimination in the labour market, and second, enhancing the employment of the disabled through quotas and government subsidies (Byun *et al.* 2003). However, there is a trade-off between those two goals-‘equal opportunity’ and ‘strengthening the disability employment quota’. The balance between them depends on each country’s sociopolitical settings (Heyer 2008). For example, most European countries show approximately 5~7% disability employment quotas, whereas Asian countries keep it around 2% (KEPAD 2006).

Former disability-policies in Korea have shown some limitations in common. Some were primarily

state-led and finally incurred heavy financial burdens (Lee 2005). Others depended too much on each corporate manager's free will that led them to pay the surcharge instead of hiring a person with a disability. For example, in relation to the disability employment quota, 65 large firms (with at least 300 employees) and even 23 public institutions do not hire any person with a disability. Instead, they pay the surcharge about KW 750,000 (about USD 480) monthly (Ministry of Labour 2008).

When looking through the employment of disabled people in Korea, one can notice that the disabled are being excluded in the labour market in two ways, which I call 'dual exclusion'. First, the chance for the disabled to gain a job is more restricted than that for other socially disadvantaged groups, especially women. Although those two groups are not mutually exclusive, the labour force participation rate (44.4% in 2005) of the disabled is significantly lower than that of women (54.5% in 2005).<sup>1</sup> The 'affirmative action plan' is designed to be rather female-focused, too. There is also no large-scale support program to maintain their jobs in the long term. For example, although Korea has a public procurement policy to purchase products made by workers with disabilities which resembles the government contract program under the Javits-Wagner-O'Day Act in the United States (McCrudden 2004), there are some differences: The demand of the public area cannot match the supply made by the disabled. Besides, the procurement program in Korea is not mandatory, but only recommended; thus, many public institutions do not observe it. Thereby, their products are squeezed out by the products manufactured by women or small size companies that hold their own procurement system with a high degree of legal enforcement. Because of the lower level of enforcement, disabled-made-products seem to be less attractive to potential buyers.

Second, the insufficient jobs allotted to the disabled are being unevenly distributed. Official reports showed that the more severe one's physical/mental impairment, one has less probability of gaining a job. Also, it seems that new jobs are almost only for persons with the 'lightest' disabilities. As Table 1 shows, the employment rate of the entire disabled population is slightly declining. The more important issue is that new jobs created in 2008 are almost monopolized by the people with lightest illnesses, at the expense of taking jobs from people with severe illness.

(Table 1)

It is noteworthy that this is not an idiosyncratic phenomenon in Korea. In general, there is a very wide range of variation in the prospects faced by individual disabled people-immensely wider than the range for the population

as a whole (Berthoud 2003). For example, in the United Kingdom, it is shown that employment rates vary greatly according to the type of impairment a person has. Disabled people with mental illness, phobias, panics or other nervous disorders had the lowest employment rates of all impairment categories at only 13.3%. On the other hand, a person suffering from diabetes (67%) or chest/breathing problems (62.8%) was much more likely to have a job (UK Office for National Statistics 2006).

Disability employment rate differs substantially from other types of welfare indexes such as spending on housing, health, unemployment, etc. According to Gough (2001:181), most East Asian countries were examples of 'productivist welfare capitalism' where social policy is subordinated to economic policy and the imperatives of growth. He also highlighted that their social expenditures were small but relatively well targeted on education and health as part of a productive strategy investment. However, although profit generation from labour was one of the main features of productive welfare or workfare, the image of person with a disability remained as a 'patient' rather than a 'potential worker'. Furthermore, the economic crisis in the late 1990s had a large influence on the trend of public policy in East Asia (Gough 2001), but that change also entailed the condition for social enterprises to be initiated and nurtured.

### **Concepts and features of social enterprises**

Unsolved problems of welfare states to create decent jobs and provide social services have pushed Western countries to develop social enterprises as an alternative (Borzaga and Defourny 2001). Most social enterprises commonly pursue multiple goals, such as revenue and distribution, employment and welfare, but the definition of social enterprise is rather vague yet. Thereby, many international studies stress the difficulty in giving a legal definition to social enterprises and consequently of making comparisons between different countries (OECD 1999). The most general definition is that of the OECD, that defines social enterprises as "any private activity conducted in the public interest, organized with an entrepreneurial strategy but whose main purpose is not the maximization of profit but the attainment of certain economic and social goals, and which has a capacity for bringing innovative solutions to the problems of social exclusion and unemployment (OECD 1999:10)."

Such features of social enterprises greatly differ from previous public policies in welfare states in that they lie in the intersection among the state, market, and civil society (Defourny 2001). Social enterprises in different societies similarly arose spontaneously in the interlocking realm in response to changes to the welfare state, and share their organizational goals to provide jobs and social services. However, the forms of social enterprises are highly diverse by their societal settings (Borzaga and Defourny 2001, Kerlin 2006) and

organizational environments (Alter 2007). There may be several dimensions to categorize social enterprises. For example, previous studies have shown that the variation in social enterprises was closely related to institutional legacies of the welfare state regime (Salamon and Anheier 1998, Anheier and Salamon 2006). This perspective is advantageous in that it can not only examine the relationship between previous welfare state regimes and social enterprise, but also investigate the different types of combinations of the state, market, and civil society during the initiate of social enterprise in different nations (Paton 2003).

As an extension of such a point of view, nowadays people usually compare social enterprises in Europe with those in the United States, both of which show differences as well as similarities in terms of key characteristics resulting from their societal and organizational settings (Borzaga and Defourny 2001).<sup>2</sup>

(Table 2)

Table 2 shows a comparison between social enterprises in the United States and Europe. A key contrast between the two models can be summarized as follows. American social enterprises provide jobs and services to socially disadvantaged groups through non-profit organizations that aim at generating revenues for those organizations under reduced federal financial support. On the contrary, in Europe, job creation and social services for the socially vulnerable such as the elderly or persons with disabilities are emphasized as well, but those activities are executed by co-operatives or associations (Kerlin 2006). Also, European social enterprises seek to highlight the extensive participation of their stakeholders, whereas American social enterprises are limited to the type of actors involved in organizational decision-making process (Spear and Bidet 2005).

The two models of social enterprises have provided prototypes for other countries. Especially in Korea, along with the institutional legacies of previous public policies, determining which model to adopt affected the process of social enterprise development. In the following, I will examine the process and the characteristics of Korean social enterprises.

### **The development of social enterprises in Korea**

#### ***Previous public policies: Self-support program and Social workplace program***

In Korea, social enterprise was initiated to cope with new social problems such as rising unemployment rates, an instable job market, the working poor, and an expanding inequality, caused by company restructuring and downsizing. It is noteworthy that social enterprise came as a part of a state-led project to combine welfare policy

with employment policy in order to deal with both a budget burden and the need for social services.

As an outset of that project, the Korean government enacted the 'self-support program' in 1999. Initiated by the Ministry of Welfare and Health, the program was designed closely to the European social enterprise model, which sought to link welfare benefits and work opportunities for the unemployed and low income families (Koh 2007). Although it provided jobs for those who used to be excluded from the labour market, there were some drawbacks such as financially penalizing people who are working, but for low pay or short periods of time (Lee *et al.* 2004). Due to less incentive to work, only about 4~9% of entire recipients succeeded in earning more than the official minimum wage. However, this self-support program was the first public policy to support private and voluntary organizations in local communities for social welfare. Those organizations were certified as 'self-support organizations,' and they played a key role in providing social services by hiring the unemployed with government subsidies. In Korea, the majority of them were welfare organizations founded as rehabilitation facilities for persons with disabilities that supply sheltered work for them and funded by churches or private donations.

In 2003, a new public policy named the 'social workplace program' was initiated. Social workplaces refer to "jobs created by local and central governments, communities, and non-profit organizations for child care, health, and education (Koh 2007)." The purpose of the new program was similar to that of the self-support program, but it especially focused on dealing with long-term unemployment. Led by the Ministry of Labour along with participation of several other ministries, the social workplace program sought to develop social enterprise to provide sufficient long-term jobs and decrease the budget burden by supporting nonprofit organizations, which hire the socially disadvantaged persons (Kim 2008). Such a shift from the Ministry of Health and Welfare to the Ministry of Labour signified the government's agenda to prioritize job creation rather than social service provision. However, since the government pushed the organizations to make jobs in a short period, the program created a number of jobs in the short-term, but they often did not last long. As a result, dependence on government subsidies remained the same.

Failing to transform short-term jobs into long-term jobs, the Korean government was forced to develop a new public policy to deal with unemployment, lack of social services, and the budget burden. Such pressure became the drive for the government to initiate social enterprise as an alternative.

### ***The rise of social enterprises***

Although previous public policies faced similar difficulties, the image of social enterprises was equivocal to the

government. While the Ministry of Labour was eager to keep the ‘social workplace program’ which was close to an employment policy, the Ministry of Welfare and Health defended desperately the ‘self-support program’ which was rather a welfare policy aimed at the rehabilitation of socially disadvantaged groups (Koh 2007). However, both believed social enterprises to be the *deus ex machine* for every problem caused by prior welfare institutions. The greatest difference between social enterprise and the previous self-support or social workplace programs was that entrepreneurial activities are highlighted in social enterprises, but not in the other programs.

On March, 2005, a ‘social workplace T/F’ was organized with 23 specialists in order to discuss and decide how social enterprises should be modeled. However, almost half of the task force members were from corporations. Public officials were composed of another 30%. Only two out of 23 members were from NGOs or NPOs. Under this skewed composition, it seemed to be inevitable that on behalf of the government and firms, Korean social enterprises highlight employment rather than welfare, achieving sustainable self-support as soon as possible rather than long-term governmental support (Kim 2008, Lee 2007). The T/F also followed the American social enterprise model instead of the European model (the Ministry of Labour 2006). However, the term “American model” they meant was not such non-profit organization with social purpose (Anheier and Salamon 2006, Kerlin and Pollack 2006). It was rather an ‘enterprise’ ruled by the invisible hand; thereby, both government and firms barely have any duty to participate. Although social enterprises mainly have two functions, creating jobs and providing social services (OECD 1999), Korean social enterprises were destined to focus on job creation since their inception.

After several hearings at the National Assembly, the government enacted the ‘social enterprise promotion act (*SEPA*)’ on January, 2007. According to the act, the government organized a committee to certify proper social enterprises and offer financial subsidies and tax reduction. *SEPA* also mandated social enterprises to hire more than 30~50% of employees from socially disadvantaged groups including women (usually, sexually marginalized), the elderly, unemployed, and disabled. Social enterprises focusing on providing social services were enforced to provide more than 60% of total services for those target groups.

It is noteworthy that the *SEPA* does not set a quota scheme among various target groups. This enables social enterprises to open a possibility for some socially disadvantaged groups to be represented more than others. In the following, I will present the characteristics of the Korean social enterprises to examine how much the disabled are represented and what disability-centered social enterprises pursue.

### **The case of social enterprises and disability in Korea**

### ***Research methodology***

In this article, I analyzed the population of social enterprises that have been certified until November, 2008 in Korea. Throughout five rounds, 154 social enterprises were officially approved.<sup>3</sup> In addition to this limited number of social enterprises for quantitative analysis, there is no reliable data that covers all of them. Some places do not even maintain websites. Therefore, I collected relevant data from the official databases the Ministry of Labour and the Ministry of Welfare and Health provide. Also, I gained information about the organization level of each social enterprise from their websites or official reports. Especially, for variables such as target group or organizational purpose, I measured how those variables were represented in each social enterprise's mission statement or annual report. In addition, in order to reveal how and why people reacted to the change of public policies and what disability means to them, I conducted several interviews with social entrepreneurs who currently run social enterprises.

### ***Description of Korean social enterprises***

The *Social Enterprise Promotion Act* classifies social enterprises into three categories by their key services as follows: job creation type, social service type, and mixed type. While job creation type refers to organizations focusing on hiring the socially disadvantaged up to more than 50% of the employees, social service type indicates those obliged to provide more than 60% of total services to the socially disadvantaged. Social enterprises that pursue provision of both jobs and social services are called mixed type, and they should allocate more than 30% of hiring and service provision for the socially disadvantaged (Moon 2008). However, in this article I divided them only into job creation types and social service types, because neither the government nor each social enterprise declares their type. Also, it is difficult to define which are mixed type social enterprises. Based on such criteria, among the 143 social enterprises that relevant data was provided, 82 organizations (57.34%) were classified as job creation types, and the other 61 (42.66%) as social service types.

What is the distribution of organizational features such as age, size, location and organizational type? Figure 1 shows the social enterprises' founding years. You can see several fluctuations and notice that most of the social enterprises were established after the economic crisis in the late 1990s. Furthermore, 84.6% of social enterprises were already founded before the enforcement of the promotion act in 2007. This indicates that the majority of social enterprises were derived from other types of organizations rather than newly created to become social enterprises.

(Figure 1)

I measured organizational size by the number of paid employees. When relevant information was absent, I counted the names shown in the organizational chart on their websites. Although some places did not maintain a website, the estimation of size was quite consistent with previous studies such as Cho (2007) or Cho and Kang (2008).<sup>4</sup> However, Table 3 shows that the typical social enterprise is small to medium size organizations with relatively weak impact on job creation. With regard to organizational type, stock companies and incorporated associations constitute about half of the population. Welfare organizations form about 18%, and NPO/NGOs and cooperatives account for about 7%.

(Table 3)

Location was classified into three groups. The metropolitan area is defined as Seoul, the capital of Korea, and Kyunggi Province which surrounds Seoul. City-level indicates large cities such as Daejun, Daegu, Incheon, Kwangju, Busan and Ulsan. Others were coded as town-level. In terms of location, 70 organizations out of 154 (45.45%) social enterprises were located in the metropolitan area, which implies these social enterprises have relatively high market accessibility and more fluent resources to mobilize. 28 (18.18%) and 56 organizations (36.36%) were in cities and towns, respectively. However, there was no significant association between organizational type and location, or between size and location.

### ***Persons with disabilities in Korean social enterprises***

The *Social Enterprise Promotion Act* sets four target groups. Women, the unemployed, elderly, and disabled are defined as socially disadvantaged groups. How are persons with disabilities represented in social enterprises? As mentioned above, they were considerably excluded during the legislation. However, Figure 2 shows an interesting result. About 53% of social enterprises tend to not specify their target group. Nevertheless, among those who set their target group, persons with disabilities form the majority. Their proportion (23%) is almost as same as the sum of social enterprises specifying all other target groups. This brings upon two questions: First, how is it that the disabled take the leading position among other target groups, despite exclusion during the institutionalization of social enterprise? Second, how well are the disabled represented in social enterprises where no target group is set? Although the position of the disabled in 79 generalist enterprises is still an

important issue,<sup>5</sup> for the first step to examine social enterprise as an alternative for work integration of the disabled, I mainly focused on the 35 disability-centered social enterprises in this article.

(Figure 2)

Why did these social enterprises choose the disabled? At a macro level, the remarkable representation of persons with disabilities in social enterprises can be explained in relation to a previous self-support program. In that program, the disabled formed the majority of self-support organizations, as official units of the self-support program. Although social enterprises originated from Western societies, it was embedded in a Korean context, making the rule of the game in former policies still significant. Therefore, the institutional legacies of former policies succeeded, making social enterprise an extended version of former policies, especially the self-support program.

At a micro level, for a similar reason, the transformation from self-support organization to social enterprise was salient. When the self-support program failed, they found social enterprises as a way to maintain their organizations. Thereby, after the social enterprise promotion act was initiated, most disabled-related associations that formed the majority of self-support organizations claimed that there was little difference between self-support organizations and social enterprises (Jung 2006, KEPAD 2006, KIM 2007, the Ministry of Labour 2006). Then they actively applied to be certified as social enterprises. As a result, the absence of a quota system among various socially disadvantaged groups and the institutional legacy of previous public policies helped the disabled keep taking the initiative in the social enterprise realm. One social entrepreneur who succeeded in such transformation stated that *“There was no big difference to us. It (social enterprise) was just another government-led policy. All I had to do was to pass certification process, and change our signboards to OOO social enterprise,”* which shows what social enterprises meant to them.

In general, social enterprises are an emergent form rather than an artifact (Borzaga and Defourny 2001). Therefore, it is difficult to clearly define them. However, most social enterprises pursue two main goals: first, providing proper social services, and second, work integration, which refers to creating decent jobs, thereby integrating the socially excluded into the labour market (OECD 1999). Table 4 shows the relation of Korean social enterprises’ organizational purposes and target groups shown in their mission statements. The disabled are heavily represented in job creation type or so-called ‘work integration social enterprises (WISE)’ compared to organizations aiming to provide social services. At the same time, social enterprises that emphasize

providing social service tend not to specify their target group.

(Table 4)

What do disability-centered social enterprises actually do? Most of them participate in labour-intensive industries. They produce various items such as candles, disposable chopsticks, or toothbrushes. Among 35 disability-centered social enterprises, only two were classified as technology-intensive. One develops software and performs system integration (SI), and the other makes sample electronic products-on-demand for contractors. It is undeniable that persons with disabilities were viewed as less productive in the workplace than their non-disabled counterparts (Graffam *et al.* 2002, Oliver 1990, Samorodov 1996). Thereby, there is a strong tendency among workers with disabilities to concentrate on labour-intensive industries where neither high level of skill nor technology is required.

Based on the results above, I analyzed whether disability-centered social enterprises were significantly facilitating work integration of the disabled. However, due to the short history of Korean social enterprises, data about performance does not yet exist. Social enterprises are not obliged to disclose annual reports. Therefore, I coded each social enterprise's organizational goals appearing in their mission statements, and examined the probability of a given social enterprise to pursue providing jobs or social services. Such dependent variables can measure how many social enterprises are helping work integration for some reasons. First, instead of direct financial support, providing decent jobs has already become the leverage point for social integration in most Western welfare states (Lim *et al.* 2007). At the same time, the social structure that overwhelmingly prioritizes economic value has led to the social exclusion of socially disadvantaged groups, including the disabled (Anderson and Sim 2000). Absence from the industrial labour market dictated the wider social exclusion of persons with disabilities (Abberley 1996), since they were thought to be unable to conform to the demands of the capitalist labour market and its work discipline (Barnes and Mercer 2005, Oliver 1990). All these facts highlight the importance of having a job, especially to persons with disabilities for their work integration.

I modeled the probability of social enterprise focusing on job creation rather than providing social service using logit regression. The outcome variable was coded 1 if the given social enterprise's purpose was to offer jobs rather than provide social service, and 0 if otherwise. Among the 154 Korean social enterprises, the analysis included 107 organizations (69.48%) where reliable data was accessible.<sup>6</sup> The other 47 social enterprises did not maintain websites and had not been covered by previous studies.

(Table 5)

Table 5 shows the logit coefficients from the regression of focusing on job creating or providing social service in Korean social enterprises. Model 1 examined how much each target group focused on job creation. Compared to ‘generalistic’ social enterprises that do not set a specific target group, disability-centered social enterprises were 7.02 times more likely to concentrate on creating jobs. In Model 2, I added some organizational-level variables. Still, disability-centered organizations were 4.77 times more likely to emphasize job creation than generalists, controlling for age, location, industry and certification round. Certification round indicated the time point when given social enterprises were officially approved by the government. The coefficient shows that the more recently social enterprises had been certified, the less they focus on job creation. However, throughout the first round to the fifth round, still more than half of the entire social enterprises were highlighting job creation rather than social services, because in the first three rounds more than 70% of certified enterprises actually focused on job creation. In Model 2 and Model 3, industry (only divided into two categories; service and product) was the strongest variable on estimating the tendency of job creation, which can be intuitively understood. Those in manufacturing industries were 69~74 times more likely to concentrate on job creation than those in service industries.

In Model 3, I added five dummy variables indicating organizational type. The result shows consistently that the concentration of disability-centered social enterprises on job creation is even higher (7.08 times) than previous models, controlling for every other variable. On the contrary, social enterprises whose target group was ‘others’ such as children, teenagers, or overseas workers clearly showed concentration on providing social service on behalf of each target group. Persons with disabilities were regarded as patients rather than potential workers. The perspective highlighting the functional limitation on disability encouraged politicians, professionals, and practitioners to view persons with disabilities as a ‘problem,’ who are dependent and in need of either cure or care (Oliver 1983). At the same time, there was a dispute during the legislation of social enterprise promotion act on whose duty it is to make new jobs, either government or firms (the Ministry of Labour 2006). Therefore, I tried to examine the effect of organizational type. It is shown that welfare organizations and private companies, compared to stock companies, were 5.5 times and 19.7 times, respectively, more centered on job creation. Since those organizations usually provide sheltered, rather than competitive, employment, if the government would keep subsidizing and supporting those social enterprises, they could

achieve independent living by running and controlling social enterprises themselves (Park 2008).

The logit regression result shows that disability-centered social enterprises are substantially focusing on job creation, controlling for its history as either a welfare organization or a stock company. The result also implies that persons with disabilities are most represented among all target groups even in 'generalistic' social enterprises that constitute more than half of the population. Interaction between target group and industry or organizational type could be important, but due to the small sample size per each category, none of those interaction effects turned out to be statistically significant. In addition, I would like to underline that the results in this article neither estimate nor infer, but explain what is happening in the population of Korean social enterprises. Therefore, the importance of practical significance (or coefficient) overwhelms statistical significance (or standard error). At the same time, I should note that the analysis is about social enterprises already approved by the government. Due to the potential selection bias, the results should be understood only among those officially selected as a social enterprise.

### **The implications of Korean experiences**

Korean social enterprises developed as an alternative that contains an internal tension between hiring the socially disadvantaged and providing social service. They not only show the change of Korean public policy and its relation with socially disadvantaged groups, but also provide some policy implications that other Asian societies should consider.

First, public policies, even those introduced from other societies should be understood within of the 'adopting' country's societal and organizational contexts. Social enterprises originated from Western countries and the Korean government officially designed social enterprise to pursue the American model. However, the organizational features, such as the government's approval of social enterprises and the central position of persons with disabilities within Korean social enterprise, show that the institutional legacies of previous social programs affect the nature of social enterprises.

Second, social enterprises provide an example of public policy with target groups, but without a quota scheme among them. Most previous social programs were specialized to support one target group. However, some countries did not have legislation requiring equality for disabled people, as they do have in relation to discrimination on the grounds of race or gender (Smith 1996). In addition, persons with disabilities often suffer from perceptual stigma. During interviews, some social entrepreneurs who run disability-centered social enterprises highlighted that even though the quality of their products is guaranteed by the government, their

status or reputation is degraded because people stigmatize that their products are made by the “disabled” who do not have the proper abilities to do that work. Under such unfavorable environment to the disabled, a generalistic public policy such as social enterprise makes their products ‘social enterprise-made-products’ instead of ‘disabled-made-products,’ and it opens up an effective way for persons with disabilities to deal with exclusion in the labour market.

Third, the case of Korean social enterprises shows that welfare organizations and private companies highlight job creation more than stock companies do. This implies that jobs for socially disadvantaged groups may be created by organizations other than firms. Welfare organizations and private companies hiring workers with disabilities usually provide sheltered employment, rather than competitive employment, along with vocational education and training programs appropriate for their type and severity of illness. If such features of welfare organizations and private companies are combined with financial support by the government, social enterprises can lead persons with disabilities to achieve independent living at which the disabled run and control the social enterprises.

## **Conclusion**

Throughout this article, I examined whether social enterprise can be an alternative for persons with disabilities. By analyzing the Korean social enterprises approved by the government, I showed that the disabled were the most represented among the socially disadvantaged groups, because institutional legacies of previous public policies succeeded, affecting the nature of social enterprises. At the same time, disability-centered social enterprises have shown a clear concentration on job creation compared to providing social service, even controlling for organizational properties such as age, location, industry, and organizational type. This implied that social enterprises could provide great job opportunities for persons with disabilities who were historically regarded as dependent and in need of either cure or care.

However, there still exist unanswered problems. First, discrimination by severity and type of illness is still present, and may be worse in social enterprises. In Korea, there is a severity-weighted quota system, which counts hiring one severely disabled employer as two less disabled persons. However, some specialists worry that this program may increase one job for the former by taking two jobs of the latter. For example, firing every slightly disabled workers and then only hiring a minimum number of severely disabled persons may be more profitable for the employers.

Second, disability-centered social enterprises often face opposition from the community. Several

social entrepreneurs I interviewed expressed that their workplaces were unwelcomed by neighbors. They want neither to see disabled people roaming their town, nor to see them playing with their children in the same playground. Therefore, we should consider support from the government and community not as guaranteed, but as conditional.

Third, what is applicable to social enterprises in general is related to sustainability. Evaluating social enterprises as literally 'enterprises' and pushing them to manage only with their own resources may give chances only to less disadvantaged persons. People who really need the most support may have the least benefit. In addition, it is true that there was the increasing belief that the nonprofit world or social economy was too bloated and inefficient, and that the infusion of business principles would increase accountability and reduce waste (Seedco Policy Center 2007). However, the benefits of disability employment should not be measured merely by the efficiency-based opportunity cost of the employer.

Although there are still many problems yet to be solved, I believe that social enterprises can significantly help work integration for the disabled. By this study, I hope Korea's experience to be a guideline for other Asian countries to initiate social enterprises for the disabled. If further studies are conducted, it will be much beneficial in modeling Asian disability-centered social enterprises.

### **Acknowledgements**

This work has been supported by Brain Korea 21 grant to sociology department at Yonsei University, Korea. Also, a preliminary version of this study was presented at the 5<sup>th</sup> East Asian Social Policy conference, Taipei, Taiwan, 2008 and Association of Public Policy Analysis and Management (APPAM) international conference, Singapore, 2009. I am grateful to Chan-ung Park, Byeong-eun Cheong, Jeong-han Kang, and the *Journal of Asian Public Policy* reviewers for comments on earlier versions of this article.

### **Notes**

1. Gender inequality is serious among the disabled. Based on 2000 census and disability survey, the labour force participation rate of disabled female is 19.5%. This is only 40.4% level of not-disabled female, and 39.4% of disabled male. Disabled females are suffering severely from both disadvantages as being disabled as well as being a female (Differently Abled Women United (DAWU) 2003).
2. Despite the frequent usage of such comparison, there are several drawbacks in the dichotomous typology between American and European models. Above all, it is difficult to catch the variation inside Europe because most European countries are not familiar with the concept of nonprofit organization or nonprofit sector (DiMaggio and Anheier 1990).

For example, in the United Kingdom, the government certifies proper social enterprises unlike majority of other western societies. Also in Portugal and Italy, it is legally forbidden to redistribute the revenue of social enterprise to its recipients at all. In addition, there is a tendency to exclude American model from social enterprises in general because it does not assume recipient involvement (Defourny 2001). However, such exclusion may ignore the most important similarity between two models that they lie in the intersection of the state, market, and the civil society (Bidet 2006). Social enterprises in the United States have their social purpose that makes them avoid opportunistic behavior (Weisbrod 1988). Therefore, I argue that it is worth of note to regard them as another type of social enterprise.

3. The competitive ratio was about one-third, and it is important to notice that there were no quota on target groups the social enterprises aim. Two-third of applicants were mostly organizations that failed to clarify 'sufficient lawful prerequisites', 'realized operating revenue', or 'established memorandum' (Cho 2007), thereby unable to pass the certification process.
4. However, if the result is overestimating the actual number of employees, perhaps it may have stemmed from the size of foundations. Several foundations did not distinguish paid-workers from clients that abide in center or facility. Some places designate them commonly as 'folks'.
5. It is possible that when target group is not clarified, new jobs are likely to be only for people with higher productivity and capacity to work. Especially in Korea, there have been a strong tendency of married-but *not* disabled- women occupying in social service field as a secondary earner, because wages of social enterprise are usually not enough to meet the cost-of-living of a family in most cases (Kim 2007).
6. In the logit regression model, I did not include organizational size (number of employees) because the response rate was only 44.15%. Size is usually an important variable in most organizational studies. However, 'size' of Korean social enterprises did not have any significant correlation with any other variables in the model, except for dummy variable for foundations. Also, the logistic coefficient for size alone was nearly zero (-0.003), so I assumed that omitted variable bias would be quite small.
7. Korean social (welfare) law defines welfare organizations as facilities that seek to perform social work, and they are permitted to run a business to support themselves.
8. According to Korean commercial law, private (limited liability) company differs from stock company in that the former requires lower minimum capital and appointment of an auditor is optional, but the transfer of share is more difficult than the latter. Thereby, private company is a suitable structure for small and medium-sized companies.

## References

[English References]

Abberley, Paul, 1996. Work, utopia, and impairment. In: L. Barron (ed.) *Disability and Society: Emerging Issues and Insights*. Harlow: Longman.

- Alter, Kim, 2004[2007]. *Social enterprise typology*. Virtue Ventures LLC.  
 Available from: <http://www.virtueventures.com/setypology.pdf>
- Anderson, Isobel, and Duncan Sim, eds, 2000. *Social exclusion and housing: context and challenges*. Conventry: Chartered Institute of Housing.
- Anheier, Helmut K. and Lester M. Salamon, 2006. The nonprofit sector in comparative perspective. *In*: Walter W. Powell and Richard Steinberg, eds. *The nonprofit sector: A research handbook*. New haven: Yale university press.
- Barnes, Colin, and Geof Mercer, 2005. Disability, work, and welfare: challenging the social exclusion of disabled people. *Work, employment, and society*, 19(3): 527-545.
- Berthoud, Richard, 2003. Disabled people and jobs. *Benefits*, 11(3): 169-174.
- Bidet, Eric, 2006. Third system and employment in Europe. *EU Studies*, 19: 141-156.
- Borzaga, Carlo, and Jacques Defourny, 2001. *The emergence of social enterprise*. NY: Routledge.
- Dart, Raymond, 2004. The legitimacy of social enterprise. *Nonprofit management and leadership*, 14(4): 411-424.
- Defourny, Jacques, 2001. Introduction: From third sector to social enterprise. *In*: Carlo Borzaga, and Jacques Defourny, eds. *The emergence of social enterprise*, NY: Routeledge.
- DiMaggio, Paul J., and Helmut K. Anheier, 1990. The sociology of nonprofit organizations and sectors. *Annual review of sociology*, 16: 137-159.
- Gough, Ian, 2001. Globalization and regional welfare regimes: the East Asian case. *Global social policy*, 1(2): 163-189.
- Graffam, Joseph, Kaye Smith, Alison Shinkfield, and Udo Polzin, 2002. Employer benefits and costs of employing a person with a disability. *Journal of vocational rehabilitation*, 17: 251–263.
- Heyer, Katrina, 2008. Rights or quotas? The ADA as a model for disability rights. *In*: Laura Beth Nielsen and Robert L. Nelson, eds. *Handbook of employment discrimination research rights and realities*. NY: Springer.
- Jessop, Bob, 1993. Towards a Schumpeterian workfare state? Preliminary remarks on post-fordist political economy, *Studies in political economy*, 40: 7-39.
- Kerlin, Janelle A., 2006. Social enterprise in the United States and Europe: understanding and learning from the differences. *Voluntas*, 17: 246-262.
- Kerlin, Janelle A., and Thomas H. Pollak, 2006. Nonprofit commercial revenue: a replacement for declining government grants and private contributions. *3<sup>rd</sup> Annual United Kingdom social enterprise research conference*. London, UK.
- McCrudden, Christopher, 2004. Using public procurement to achieve social outcomes. *Natural resource forum*, 28(4): 257-267.
- OECD, 1999. *Social enterprises*. Paris: OECD publications.
- Oliver, Mike, 1983. *Social work with disabled people*. Basingstoke: Macmillan.
- \_\_\_\_\_, 1990. *The politics of disablement*. Basingstoke: Macmillan.

- Paton, Rob, 2003. *Managing and measuring social enterprises*. Thousand Oaks, CA: Sage.
- Salamon, Lester M., and Helmut K. Anheier, 1998, Social origins of civil society: explaining the nonprofit sector cross-nationally. *Voluntas*, 9(3): 213-248.
- Samorodov, Alexander, 1996. *Indicators of cost-effectiveness of policy options for workers with disabilities*. Geneva, Switzerland: International labour organization.
- Seedco policy center, 2007. *The limits of social enterprise: a field study and case analysis*.  
Available from: [http://www.seedco.org/publications/publications/social\\_enterprise.pdf](http://www.seedco.org/publications/publications/social_enterprise.pdf)
- Smith, Brenda, 1996. Working choices. In: Gerald Hales, ed. *Beyond disability: towards an enabling society*. London: SAGE Publications.
- Spear, Roger, and Eric Bidet, 2005. Social enterprise for work integration in 12 European countries: a descriptive analysis. *Annals of public and cooperative economics*, 76: 195-231.
- Torring, Jacob, 1999. Workfare with welfare: recent reforms of the Danish welfare state. *Journal of European social policy*, 9(1): 5-28.
- UK Office for National Statistics, 2006. *Labour force survey*.
- Vidal, Isabel, and Nuria Claver, 2004, *Work integration social enterprises in Spain*.  
Available from: [http://www.emes.net/fileadmin/emes/PDF\\_files/PERSE/PERSE\\_WP\\_04-05\\_SP.pdf](http://www.emes.net/fileadmin/emes/PDF_files/PERSE/PERSE_WP_04-05_SP.pdf)
- Wad, Peter, 1999. Social development in East Asia: warfare, workfare, welfare? *Conference of globalization and social welfare in East and Southeast Asia*, Aalborg, Denmark.
- Weisbrod, Burton Allen, 1988. *The nonprofit economy*. MA: Harvard university press.
- [Korean References (Titles translated into English)]
- Byun, Yongchan, Sunghye Kim, Sangyong Yoon, Eunjun Ji, and Sungmin Park, 2003. *Comparative report of disability employment policy among OECD countries*. Seoul, Korea: Korea institute for health and social affairs (KIHASA).
- Cho, Youngbok, 2007. The result and implication of first social enterprise certification. *Labour review*, 35: 48-58.
- Cho, Youngbok, and Seonghwa Kang, 2008. The result and implication of social enterprise certification. *2008 Social enterprise symposium*, Junnam, Korea.
- Differently abled women unite (DAWU), 2003. *Employment report of the disabled women*.
- Jung, Suk-ku, 2006. The future of self-support social enterprise. Unpublished.
- Korean employment promotion agency for the disabled (KEPAD), 2006. *Comparative report of disability employment policy*. Seoul, Korea: KEPAD.
- Korea disabled people's development institute (KOWPAD), 2006. *Developing Korean disability-centered social enterprise model*. Seoul, Korea: KOWPAD.

- Kim, Hyewon, 2007. Are social enterprises sustainable? *Labour Review Monthly*, 27: 31-50.
- Kim, Shinyang, 2006. The legislation of social enterprise: the case of Europe and Korea. *City and Poverty*, 80: 75-91.
- Kim, Yonghyun, 2008. The rise of social enterprise in Korea and the role of the government, market, and civil society. 2008 *Korean sociological association annual meeting*, Daegu, Korea.
- Koh, Hyungmyun, 2007. Social enterprise policy and the ability to develop Korean model. 2007 *Korean sociological association annual meeting*, Seoul, Korea.
- Lee, Jungjoo, 2005. A study on new governance for the disability employment: focusing on public-private partnership. *Korean journal of social welfare research*, 13: 59-81.
- Lee, Junghee, 2007. Experiences of community on social service and social enterprise. *Social service and social enterprise symposium*, Seoul, Korea.
- Lee, Taesoo, Daemyung Roh, and Deoksoon Hwang, 2004. *Future plan for development of Korean public assistance*. Research paper by the presidential commission on policy planning.
- Lim, Hyukbaek, Yoontae Kim, Chuljoo Kim, Chan-ung Park, and Hyungmyun Koh, 2007. *Social economy and social enterprise: developing Korean social workplace and social service*. Seoul, Korea: Songjung.
- Ministry of Labour (MOLAB), 2005-8. *Data prepared for parliamentary inspection*. Unpublished.
- Moon, Bokyung, 2006. *Explanation on social enterprise promotion act*. Unpublished.
- \_\_\_\_\_, 2008. *A review of the approval criteria for social enterprises and their alternatives*. Research paper by the social investment support foundation.
- Park, Hyungjin, 2008. Independent living: an alternative support system for persons with disabilities to overcome social exclusion. *Social Studies*, 15: 69-94.
- Roh, Daemyung, 2005. A study for creating social employment and improving social enterprise. *Health and society research*, 25(2): 37-81.
- \_\_\_\_\_, 2007. Social service and social enterprise in Korea. *International conference for social service and social enterprise*. Seoul, Korea.

Table 1. Disability-employment rate by degree of disability in Korea

degree of disability	2007	2008	2007-2008	growth rate(%)
1	21.48	19.31	-2.17	-10.10
2	26.28	22.97	-3.31	-12.60
3	25.01	22.27	-2.74	-10.96
4	26.96	27.53	0.57	2.11
5	26.79	26.34	-0.45	-1.68
6	27.70	27.95	0.25	0.90
7	26.32	34.38	8.06	30.62
Overall	24.61	24.47	-0.14	-0.57

Source: Korean Employment Promotion Agency for the Disabled (KEPAD) (2007-2008)

Note: The smaller degree indicates that one has more severe physical/mental disability.

Table 2. Comparative overview of social enterprise in the United States and Europe

Characteristics	United States	Europe
Emphasis	Revenue Generation	Social Benefit
Common Organizational Type	Nonprofit	Association/Cooperative
Focus	All Nonprofit Activities	Human Services
Types of Social Enterprise	Many	Few
Recipient Involvement	Limited	Extensive
Strategic Development	Foundations	Government/EU
University Research	Business and Social Science	Social Science
Context	Market Economy	Social Economy
Legal Framework	Lacking	Underdeveloped but Improving

Source: Kerlin (2006:259)

Table 3. Number of employees by organizational types

	frequency	percent	size (mean)	size (s.d.)
Stock company	43	27.92	49.12	59.53
Incorporated association	33	21.43	36.17	34
Welfare organization <sup>7</sup>	28	18.18	43.94	34.54
Foundation	14	9.09	120.75	98.52
Private company <sup>8</sup>	14	9.09	18	N/A
Cooperative	11	7.14	23	10.82
NGO/NPO	11	7.14	33.71	36.94
Total	154	100	45.34	49.16

Table 4. Relation between target group and organizational purpose

Target group	Social service	Job creation	Total
Elderly	11 (18.03)	9 (10.71)	20 (13.79)
Women	3 (4.92)	3 (3.57)	6 (4.14)
Disabled	5 (8.20)	28 (33.33)	33 (22.76)
Unemployed	0 (0)	2 (2.38)	2 (1.38)
Do not specify	37 (60.66)	37 (44.05)	74 (51.03)
Etc	5 (8.20)	5 (5.95)	10 (6.90)
Total	61 (100.00)	84 (100.00)	145 (100.00)

Note: numbers in the parentheses indicate column percent.

Table 5. Logit coefficients from the regression of focusing on job creating or providing social service: Korean social enterprise, 2007-2008

	<u>Model 1</u>		<u>Model 2</u>		<u>Model 3</u>	
	coef.	std. err.	coef.	std. err.	coef.	std. err.
<i>Target group</i>						
<i>(ref.=Do not specify)</i>						
Disabled	1.949 <sup>***</sup>	0.605	1.562 <sup>**</sup>	0.809	1.957 <sup>**</sup>	0.855
Elderly	-0.549	0.624	0.312	0.860	0.971	0.978
Women	0.039	0.863	1.261	1.011	1.630	1.091
Others <sup>+</sup>	-0.366	0.955	-3.003 <sup>*</sup>	1.641	-3.221 <sup>*</sup>	1.896
Certification round			-0.428 <sup>**</sup>	0.190	-0.392 <sup>**</sup>	0.202
Age			-0.028	0.058	0.006	0.062
<i>Location</i>						
<i>(ref.=town level)</i>						
Metropolitan area			1.108 <sup>**</sup>	0.674	1.001	0.747
City level			-0.034	0.862	-0.445	0.914
Industry			4.243 <sup>***</sup>	1.159	4.313 <sup>***</sup>	1.173
(0=Service, 1=Product)						
<i>Organizational type</i>						
<i>(ref.=stock company)</i>						
Welfare organization					1.706 <sup>*</sup>	0.937
Cooperative					0.611	0.865
Foundation					0.380	1.090
NGO/NPO					0.486	1.221

Private company					2.979*	1.822
Constant	-0.039	0.280	-0.039	0.858	-1.202	1.248
N	107		107		107	
log likelihood	-63.910		-43.413		-40.551	
R <sup>2</sup>	0.122		0.404		0.443	
* p < 0.1	** p < 0.05	*** p < 0.01				

+ 'others' indicate any other specified target groups such as children, teenagers, or oversea workers.

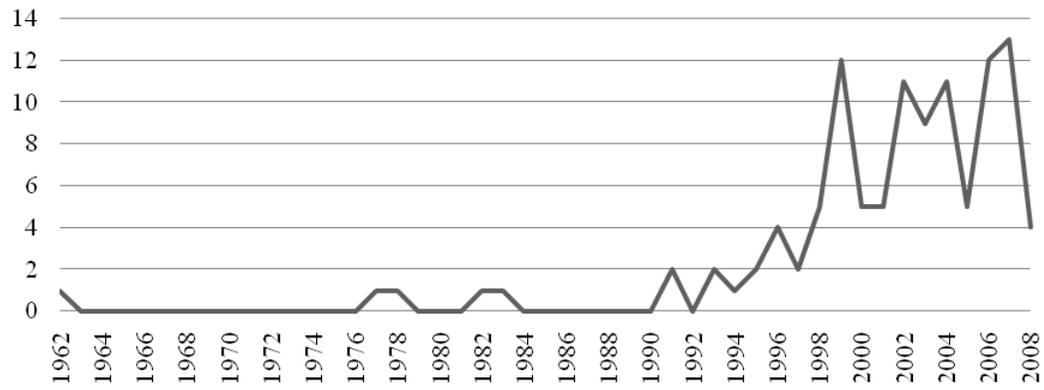


Figure 1. Founding year of Korean social enterprises

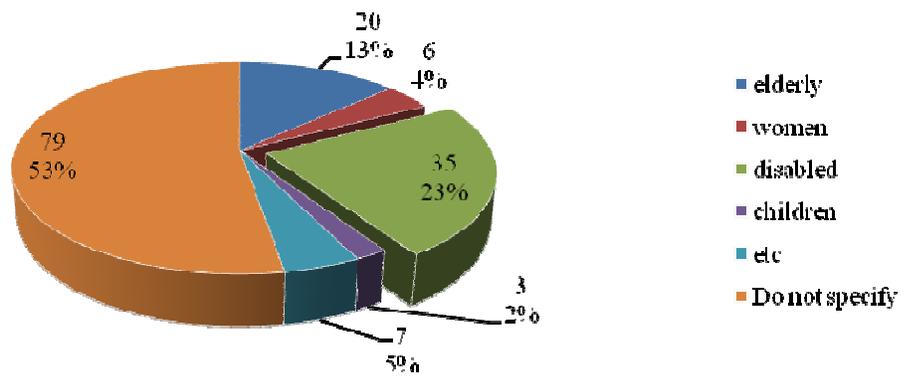


Figure 2. Target groups of Korean social enterprises