



## The Social Economy in Seoul: Assessing the Economic, Social, Environmental and Political Impacts

Social and solidarity economy (SSE) has significant potential to contribute to achieving the 2030 Agenda for Sustainable Development, given the commitment, common to both, to looking beyond economic development and seeking out ways to make social and environmental improvements in people’s lives. But how effectively is this potential being leveraged? The city of Seoul in the Republic of Korea offers a useful testing ground to answer this question, as it has recently implemented a series of policies encouraging the growth of its social economy (SE). This Brief assesses the impact of SE in Seoul across the economic, social, environmental and political dimensions, and relates these impacts to achieving the Sustainable Development Goals (SDGs).

### Growing the Social Economy in the Republic of Korea

Interest in SSE is particularly apparent in the Republic of Korea, where it is known as the social economy. SE has been shaped by a mix of a bottom-up civil society movements and a top-down state-led approach (Jang 2013). Since a legal framework was put in place to support SE in 2007, a wide range of social economy organizations and enterprises (SEOs) have emerged in the country.

In line with the integrated, people-centred, and planet-sensitive approach of the SDGs, actors in Seoul’s SEOs include not only poor, unemployed and marginalized people but also entrepreneurs, investors, community

organizations and NGOs. SEOE missions cover a broad and integrated remit from poverty alleviation and reducing social and spatial inequalities to job creation, work integration, community revitalization and cohesion. The key activities in which they engage range from health, care, education and other forms of social service provision to environmental protection and sustainable energy.

While there is a growing consensus that SE in Seoul is potentially well-positioned to address the SDGs, it is less clear how well it is doing in practice. Assessing the impact of SE, which requires measuring more than just the economic dimension, is a challenging field (see Box 1).

The UNRISD project, *Social and Solidarity Economy for the SDGs: Spotlight on the Social Economy in Seoul* (see Box 2), used the existing data and analysis to put together a preliminary assessment of the economic, social and environmental impacts of SE in Seoul. The existing data have some limitations, however, because of both the government’s narrow interest in SE as a means of job creation and service provision, and because of SEOEs’ limited human and financial resources to conduct impact evaluations of their own.

The project then complemented the existing data with its own survey to assess the political impacts of SE resulting from its democratic and participatory governance. This type of impact is often neglected, yet political impact is one of the distinctive characteristics of SE, and one which enhances its ability to contribute to the inclusive nature of the SDGs.

This Brief presents the findings of our assessment of the impact of SE in Seoul across the economic, social, environmental and political dimensions, and relates these impacts to the SDGs. The following section provides an overview of the findings organized into four key issue areas, each of which is related to a cluster of SDGs.

#### Box 1: The challenge of measuring SSE impact

The extreme diversity of stakeholders, missions and activities in the SSE sector makes it very hard to create a set of schematic criteria that can be applied evenly across multiple contexts to assess impact. In addition, there are multiple types of impact to be measured: economic, social, environmental and political. As a result, a plethora of impact evaluation methodologies have been developed, which can be grouped into four main categories.

- **Expected return on investment:** translates social value into “hard” economic indicators, but is not applicable if the (social) benefits are not quantifiable.
- **Impact value chain:** shows links between activities and outcomes, but has been criticized for its simplistic assumption of a linear cause-and-effect process.
- **Triple bottom line accounting:** an integrated approach that measures the environmental, social and economic dimensions of sustainability, but can be highly technical and laborious.
- **Statistical data collection:** has the potential to provide a lot of information, but only covers the economic dimension and, at the macro-level of the economy, may not render SSE visible.



### In Numbers: The Impact of the Social Economy in Seoul\*

Contribution to Seoul's GRDP

**0.5%**

Employment

**19,800**  
(2016)

**10,400**  
(2011)

Health/Care Services

**70%**  
of users are from "vulnerable groups"

**55.7%**  
of employees are from "vulnerable groups"

Social return on investment

**KRW 1 = KRW 12.9**

Potential contribution to solar energy production

**11.8%**



**(26.5<sub>GWh</sub>)**

## Spotlight on Social Economy Pathways for Achieving the SDGs in Seoul



### Tackling poverty and inequality through employment: SDGs 1 and 10

The Republic of Korea achieved extremely rapid growth with a significant reduction in poverty and relatively low income inequality up until the late 1990s. Since the Asian financial crisis in 1997, despite increased social spending on welfare programmes and a resumption of economic growth, both income inequality and absolute poverty have increased, particularly in Seoul. In 2015, the income of 9.6 percent of households in Seoul was below the poverty line, while the city's Gini coefficient was 0.336. The corresponding figures at the national level were 9.1 percent and 0.274 (Kim and Chang 2017). Against this backdrop, Seoul faces the difficult task of meeting the dual goals of eradicating poverty (SDG 1) while simultaneously reducing inequality (SDG 10).

SEOs are playing an increasingly proactive role in relation to these goals, not least by creating jobs, particularly for those the government classifies as belonging to "vulnerable groups" (for example, elderly people, people with disabilities, refugees). In 2016, a total of 3,512 SEOs in Seoul created 19,800 new jobs, or 8.8 new jobs per SEO. This accounted for 6.9 percent of all new jobs (283,104) created in Seoul in that year (Seoul Social Economy Center 2016). Of the various types of SEOs, the ones that played the most significant role in producing this result were Certified Social Enterprises (CSEs), Pre-Certified Social Enterprises (PCSEs) and Self-Reliance Enterprises (SREs).

Based on their primary social mission, the government categorizes CSEs and PCSEs into five types: job creation, social service provision, local community contribution, mixed, and other types. In 2016, more than a quarter of the CSEs in Seoul (69.2% nationally) were registered as job creation social enterprises (Seoul Institute and Seoul Social Economy Center 2016). On average, approximately 50 percent of all jobs created by the CSEs benefited persons from vulnerable groups in all regions, including Seoul. This economic empowerment of vulnerable people will help to achieve SDG 1 and SDG 10.

SREs—small-scale enterprises established by one or more poor and vulnerable persons primarily to increase their ability to be self-reliant—provided additional benefits for vulnerable groups, and women in particular. They are legally obliged to provide at least one third of their jobs to vulnerable persons. From 2010 to 2016, the number of workers in SREs in Seoul increased from 1,060 in 155 SREs to 1,457 in 171 SREs (Seoul Province Self-Sufficiency Centre 2017). Of these workers, 65 percent were women, indicating that SREs are playing an increasingly

important role in accelerating the realization of gender equality (SDG 5) and poverty reduction (SDG 1). However, SREs need to guard against the risk of gendering low-paying and low-skilled jobs by providing that type of employment mainly to women.



### Promoting well-being for all at all ages: SDGs 1, 3, 5, 8 and 10

The limitations of existing care systems are a growing concern in the Republic of Korea as the nation undergoes major demographic changes.

In Seoul, the poverty rates of households headed by persons aged 65 years or older was 42.7 percent in 2013 (Kim and Chang 2017). According to an OECD report (OECD 2016), nearly half of the elderly population in the Republic of Korea live in poverty—about four times higher than the OECD average of 12.6 percent. The government has responded with a number of welfare programmes, including a social insurance scheme for long-term care. However, it has not been sufficient to meet the increasing demand. Since aging and health are cross-cutting issues across multiple SDGs (for example, poverty reduction-SDG 1, good health-SDG 3, reduced inequalities-SDG 10, gender equality-SDG 5, and decent work-SDG 8), preparing society for the aging population is vital to achieve sustainable development in a balanced manner for all segments of society at all ages.

There is also an increasing demand for childcare as more women enter the labour force, whether of choice or of necessity. Although nearly half of the population of the Republic of Korea lives in Seoul, it is one of the cities with the lowest childcare supply per population ratio. In 2015, there were 13.9

### Box 2: Social and Solidarity Economy for the SDGs: Spotlight on the Social Economy in Seoul

This project examines the social economy (SE) in Seoul, Republic of Korea, and how it is contributing to implementing and, ultimately, achieving the city's "localized" SDGs. Characterized by a rapid development of proactive SE policies, dramatic growth of SE organizations and enterprises, and the Seoul Metropolitan Government's strong commitment to the Sustainable Development Goals (SDGs), the city's experience can enrich understanding of social and solidarity economy as a means of implementation of the SDGs. The project adopts a mixed approach of qualitative and quantitative methods. It includes thematic studies, in-depth case studies in Seoul, cross-case comparative analysis, and analysis of SE policy initiatives. The final project publication will be available in mid-2018.

To learn more, visit [www.unrisd.org/sse-sdgs-seoul](http://www.unrisd.org/sse-sdgs-seoul)



The project is funded by the Global Social Economy Forum.

childcare centres per 1,000 population, which was less than the national average of 15.5 (Statistics Korea 2017).

SEOs in Seoul are playing an important role in meeting the growing need for care services by people with health issues and disabilities, elderly people, as well as parents with infants and children. According to a 2015 survey (Cho and Yoo 2016), each SEOE working in care sectors provided nursing, home-help, and child care services to over 4,700 users on average per year, of which 70 percent belonged to groups classified by the government as “vulnerable”.

Accordingly, a social return on investment (SROI) analysis of the same data (Cho and Yoo 2016) indicated that the CSEs and PCSEs in the social care sectors produced the highest social returns for vulnerable groups in 2015. For every Korean won (KRW) invested in care sectors such as nursing/home-based help, social welfare, and health/child care, social returns equivalent to KRW 31.0, 20.1 and 17.6 were generated respectively in terms of income and social services for vulnerable groups in Seoul. Overall, social returns generated by Seoul’s CSEs and PCSEs for vulnerable groups were 12.9 times greater than actual investment, meaning KRW 12.9 of return generated for each KRW 1 spent.

 **Building sustainable cities through renewable energy production: SDGs 7, 11 and 13**

Seoul experiences serious air pollution. The Seoul Metropolitan Government (SMG) has responded to this challenge by establishing a long-term plan, called “One Less Nuclear Power Plant”, that aims to reduce the city’s reliance on nuclear energy and fossil fuels (Seoul Metropolitan Government 2017). Within this ambitious plan to invest in green technologies that reduce greenhouse gas emissions, the SMG’s policy focus is on safer and cleaner energy that will enable the city to deliver on SDG 7 (affordable and clean energy), SDG 11 (sustainable cities and communities) and SDG 13 (climate action) in particular.

Seoul’s SEOEs have been a major supporter of the SMG’s initiatives to increase the use of safe and sustainable energy. In 2013, a number of SEOEs in the energy sector launched a “Veranda Solar Power Plant” project to transform the city into a “solar city”. The project encouraged households to install one or more 260W ultra-small solar power panels capable of generating 300kWh per year (Hwang 2017). Installing at least one solar panel can reduce the annual electricity bill by approximately USD 60.

In order to increase the number of households with a solar panel, in 2014 the SMG selected seven implementers and subsidized the installation cost of solar panels for households. Out of these seven, four were SEOEs. Between 2014 and 2017, a total of 18,591 households installed solar panels

through these four SEOEs (Hwang 2017), and generated about 5.58GWh of electricity every year, valued at approximately USD 1.1 million in 2017. While this is still a small amount of energy production compared to Seoul’s total solar power production of 224.9GWh in 2016 (Ministry of Trade 2017), it shows that SEOEs are playing an increasingly prominent role in a green economy transition that is both environmentally friendly and affordable for citizens. If we include the other 15 energy cooperatives involved in renewable energy production in Seoul and assume (given the absence of data) that they have a similar capacity to install solar panels compared with the cooperatives that participated in the government programme, then the total contribution of cooperatives to solar energy production would be 26.5GWh, around 12 percent of the electricity generated in Seoul by solar panels.

 **Stimulating democratic governance and gender equality: SDGs 5, 10 and 16**

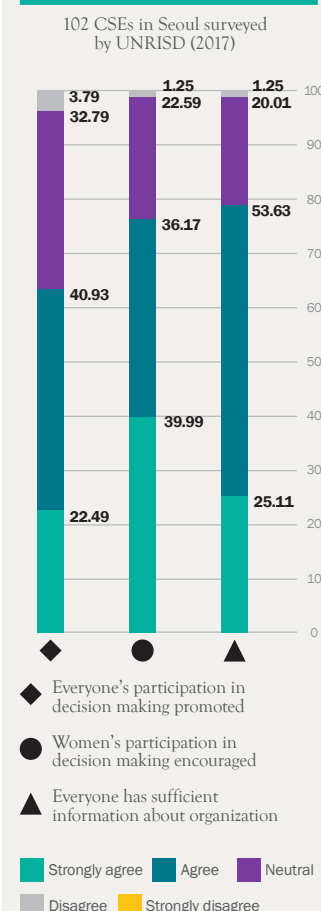
The principles of democratic self-management, solidarity and cooperation that characterize SE suggest that it has the potential to contribute to strengthening democratic institutions and practices, which are prerequisites for achieving sustainable development. Political empowerment and genuine participation of vulnerable and marginalized groups in decision-making processes are decisive factors for achieving SDG 5 (gender equality), SDG 10 (reduced inequality) and SDG 16 (peace, justice and strong institutions).

Nevertheless, specific forms of political impact, such as democratic participation, solidarity and women’s empowerment, are rarely measured. To address this gap, in 2017 UNRISD surveyed selected SEOEs in Seoul on their participatory practices, and particularly women’s involvement in them. The results indicated that these CSEs have a strong propensity to build participatory democracy and make the work environment more equal, inclusive, and cohesive for all people (see Figure 1).

**BOX 3: SSE and the SDGs**

In recent years, social and solidarity economy (SSE) has received increasing attention from policy makers, researchers and practitioners worldwide given its potential to help overcome some of today’s major challenges, such as poverty, unemployment, social exclusion and climate change. As an integrated, people-centred, and planet-sensitive approach, SSE is well aligned with the commitments embodied in the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs). Prioritizing social and environmental aims over profit maximization, SSE seeks to drive inclusive growth by fulfilling needs that are unmet by other actors, especially the needs of the most vulnerable, which will accelerate the implementation of the SDGs and leave no one behind.

**Figure 1: Attitudes to Participation in Decision-Making Processes**



## Policy Implications

**1** SE is playing a role in the economic, social and environmental landscape of Seoul, and the SMG has created a support system to further develop and scale up the city's social economy. Nevertheless, it remains a fringe sector in the Republic of Korea. While government subsidies (for land, equipment, employment and social insurance) and tax incentives have helped many organizations operate in a more stable way, some parts of the SE sector now rely on that financial support, reducing the sustainability of these organizations. In order to develop and maximize SE's potential, there should be a more robust institutional ecosystem that helps organizations to raise the level of their business management skills so they can sustain themselves in a self-sufficient way and become less vulnerable to government policy changes.

**2** The basis for state support in Seoul so far has been SE's capacity for job creation. But this is a limited view that overlooks the possibilities that SE offers in relation to the other economic, social, environmental and political dimensions of sustainable development. Policy makers need to embrace the full scope of what SE could do by incorporating measures that effectively support, monitor and evaluate all potential areas of activity. SE evaluation and monitoring are especially limited in the environmental sector, and this should be a priority area for further attention.

**3** Impact evaluation of SSE remains challenging. In addition to the shortcomings of existing impact methodologies, there are few effective methods to measure its political impact, which is a major element in SSE's potential to contribute to achieving the SDGs. With this research we have tried to help fill that gap by devising and conducting a survey measuring the impact of participatory workplace governance and workers' attitudes to democracy. In order to support government decision making about spending related to SSE and effective policy design, those with an interest in SE need to develop more comprehensive impact assessment procedures which cover all SSE activities across all four relevant dimensions: economic, social, environmental and political.

**4** As an integrated and balanced approach, SSE in its nature is well aligned with the 2030 Agenda's overall goal of fostering equitable and sustainable development. Policy makers with an interest in achieving the 2030 Agenda should design and implement policies that support SSE as a means of implementation.

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This brief was prepared by Suyeon Lee.

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