

Analysis of Social Enterprise Policies in China and South Korea from a Comparative Research Perspective

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Abstract: There is a noticeable discrepancy in the advancement of social enterprises in China and South Korea. Compared to South Korea, social enterprise development in China is lagging behind. Most of the current research starts from the dual perspectives of the two countries, but there are a few studies that focus on the growth of social enterprises in South Korea and use this to reflect on Chinese social enterprises. In order to fill this gap, this study concentrates on the advantages of social enterprise development in South Korea, while looking at the development trend and prospects of social enterprises in China. This paper adopts the simple comparative analysis method and the four-dimensional progressive analysis method, and evaluates the progress of social enterprises in China and South Korea from the four dimensions of history, goal, structure, and performance by collecting relevant data in recent years. The research results show that South Korea has a long history of social enterprise policies. Innovation, market failure, and the maturity of the social environment are of great importance to the government, which also encourages the progress of social enterprises. In contrast, China's failure to formulate national policy actions has been attributed to a conservative government approach to innovation and weak market forces. Therefore, this paper draws on the experience of Korean social enterprises, provides suggestions for the improvement of Chinese social enterprises in terms of government policies and markets, opens up ideas for follow-up research, and provides a new research perspective.

Keywords: social enterprises, comparative studies, government policy, policy recommendations

1. Introduction

In the world, compared with Asia, social enterprises in Europe, America, and other countries and regions developed earlier and are relatively mature. In Europe, social enterprise is commonly referred to as any private activity that can bring about public interest, has enterprise strategies for achieving specific economic or social objectives, and contributes to addressing social exclusion and unemployment issues rather than focusing on maximizing profits [1]. In recent years, social

enterprises have been gradually gaining recognition in Asian countries for their role in creating social value and improving public welfare. They can solve certain social problems and make up for market and government failures. South Korea is a pioneer in the practice and exploration of social enterprises in Asia. The “Social Enterprise Incubation Act” was enacted in South Korea in 2007 and promoted the development of social enterprises through law. It was perfected in 2012 and 2019. Social enterprises are being supported by the South Korean government in various aspects, including policies, operating models, and the establishment of specialized agencies. The practical experience in South Korea shows a mindset that in the early stages of social enterprises, the government takes the lead and plays a major role, while in the middle and later stages of the growth of social enterprises, the constitution of intermediate support institutions in the public sector gradually eliminates the excessive dependence of social enterprises on the government and improves the efficiency of independent operation [2]. In China, social enterprises are still in their infancy, and there are few research fields and policies related to social enterprises. Although Beijing promulgated the “Beijing Social Enterprise Assurance Measures” and “Opinions on Promoting the Development of Social Enterprises” in 2019 and 2022, respectively, policies in this field have never attained the legal level. Based on the current research, there are few comparative studies on issues related to social enterprises in China and South Korea, and for the time being, there has been no relevant research that focuses on social enterprises in South Korea and uses them to reflect the lack of development of social enterprises in China.

Social enterprises in South Korea have reached a mature and stable stage of development. Through comparative analysis, it is helpful to analyze the problems existing in the development of social enterprises in China and the lack of key elements. Comparing social enterprises’ development status in China and South Korea, solving the development problems of Chinese social enterprises, and putting forward relevant suggestions for the missing or unsuitable parts in their development, to encourage the growth of Chinese social enterprises in a variety of ways, including through policies, legislation, and the spirit of entrepreneurship, and better fill the loopholes caused by market failure, government failure, and voluntary failure.

The advantages and traits of the growth of social companies in South Korea are the main topics of this essay, which uses this to review the development trend of social enterprises in China and discuss the development prospects of social enterprises in China. This paper adopts the simple comparative analysis method and the four-dimensional progressive analysis method. Taking as a starting point the history of development and current state of social enterprises in China and South Korea, comparing the development status and policies in the two countries from the perspective of history, performance, structure, and goals. These four dimensions are analyzed to clarify the development path and policy changes of social enterprises in South Korea, and to summarize the survival mode of social enterprises in China. Based on the comparison of the development of social enterprises in China and South Korea and the advantages that Korean social enterprises can learn from, explore the outlet and future development trends of Chinese social enterprises, and create a workable development plan for Chinese social companies.

2. The Development of Social Enterprise Policy System in China

This paper regards a series of progressive social enterprise policies and the market and social development environment they face as a unified system, for the convenience of discussion, the social enterprise policy systems of China and South Korea are divided into four dimensions: historical dimension, target dimension, structure dimension and performance dimension.

Historical dimension refers to the direct evolution of social enterprise policy, which actually reveals a policy tendency. Target dimension refer to what social enterprises and related policy makers want to achieve. Structure dimension refers to the impact of the market and social

development environment faced by social enterprise policies on social enterprise policies. Performance dimension refers to the policy effect brought about by a series of policies related to social enterprises, that is, the degree of development of social enterprises.

2.1. Historical Dimension

The discussion of social enterprises in China existed as early as the beginning of the 21st century, but mainly focused on the academic circles. It was not until June 2011 that Beijing put forward to actively support the development of social enterprises in the field of social services. “Social enterprises” first appeared in government documents as a proper noun. In 2015, Shunde became the first region in mainland China to carry out social enterprise certification. Subsequently, a number of social institutions and governments have carried out their own social enterprise certification work. Up to now, the national general social enterprise policy has not been formed, while the social enterprise policies in Chengdu and Beijing are relatively perfect.

2.2. Structure Dimension

As the external environment of the policy system, the operation status of the market and society is important for policy formulation. In this study, growth rate of per capita GDP, inflation rate and unemployment rate are the main indicators to describe the development of market environment, and the number of per capita social organizations is the main indicator of the development of social environment. As shown in Table 1, from 2016 to 2022, China’s per capita GDP growth rate is relatively high, and the inflation rate and unemployment rate are generally maintained at about 2 % and 4 % respectively. Moreover, at the same time, the number of social organizations per capita in China remains at a relatively high level, so it can be said that the social environment at this stage is more fully developed.

Table 1: 2016-2022 Market and social environment in China [3,4].

Index	2016	2017	2018	2019	2020	2021	2022	Average
growth rate of per capita GDP	3.91%	5.36%	8.91%	7.49%	3.43%	13.28%	10.27%	7.52%
Inflation rate	2.10%	1.50%	1.90%	2.90%	2.50%	0.90%	1.90%	1.96%
Unemployment rate	4%	3.90%	3.80%	3.60%	4.20%	4%	4.20%	3.96%
The number of social organizations per capita(number per thousand people)	50.45	54.39	58.16	61.44	63.3	63.84	Lack of Data	

2.3. Target Dimension

Taking Chengdu and Beijing, two areas with relatively perfect social enterprise policies, as examples, the government’s social enterprise-related policies have the general policy objectives of promoting economic development, improving people’s livelihood security, and strengthening social governance. Providing public services in government-directed areas is the primary goal of Chinese social enterprises. In addition, the huge role of social enterprises in the three allocations has recently

attracted the attention of Chinese scholars [5]. Under the political red line, China's local governments have always been cautious about the financial support and operation status of social enterprises. For example, the "Opinions on Cultivating Social Enterprises to Promote Community Development Governance" issued by the Chengdu government in 18 years specifically made more detailed arrangements for market supervision, information disclosure, exit, social supervision and other systems of social enterprises.

2.4. Performance Dimension

Up to now, there is still no widely applicable official social enterprise certification method in China. Therefore, according to the different certification methods, this part of the data may be biased. This study uses social enterprises certified by the widely used China Social Enterprise Service Center (CSESC) as indicators. As shown in Table 2, China's social enterprises have grown from 11 in 2016 to 397 in 2022.

Table 2: Number of China social enterprises certified by CSESC [6].

Year	2016 and before	2017	2018	2019	2020	2021	2022
Total(Supportive social enterprises have been removed)	11	74	151	211	193	252	397

3. The Development of Social Enterprise Policy System in Korea

In order to compare with the current development of social enterprises in China, this paper selects a period of time from 2007 after the promulgation of the first social enterprise law for analysis. During this period, South Korean social enterprises are still in the initial stage at the policy level.

3.1. Historical Dimension

The Korean Social Enterprise Promotion Act (2007) was formulated by the National Assembly and the Ministry of Employment and Labor in 2007 to respond to social needs, which led to the emergence of social enterprises in Korea [7]. With the abundant and rapid process of social enterprises in Korea, the original law and regulations were revised in 2012 as the Korea Social Enterprise Promotion Act Amendment (2012). Between 2012 and 2019, a strategic vision has been promoted for the development of society and economy in Korea. Between 2013 and 2017, the Social Economy Basic Act, the Social Value Basic Act and the Social Economy Enterprise Product and Market Promotion Act were submitted, but were not successfully implemented, and in 2018, a special agency was envisaged to promote the first three Acts [8]. Until 2019, the specific regulations of the original social enterprise law were again revised as the Executive Order of the Korean Social Enterprise Promotion Act (2019). So far, Korea has gradually built up a benign ecological environment by continuously improving the legal provisions related to social enterprises. Meanwhile, by continuously promoting the concept of social enterprises within Korea, the recognition and participation of social enterprises by all sectors of society have been enhanced.

3.2. Structural Dimension

As shown in Table 3, South Korea's social enterprise policy is influenced by the market and society as external environmental factors. In terms of the market, after the Asian financial crisis in 1997,

the unemployment rate in South Korea surged and the economy declined severely [7]. During this period, South Korea's currency depreciated substantially, inflation rose, and purchasing power declined. To overcome the economic crisis, the Korean government started actively promoting the growth of social services and the creation of jobs [9]. That is to say, market dysfunction encourages the creation of social enterprise policies. In terms of society, first, the expanding wealth disparity between rich and poor has led to intensified social conflicts, intensified aging and declining birthrates, drastic changes in community and family relationships, and continued pressure on the labor market, leading to soaring divorce and suicide rates. In such a general environment, in 2003, the Korean Ministry of Labor invested a large amount of funds to support projects such as "social employment and entrepreneurship". The South Korean government promulgated the "Social Enterprise Incubation Law" in 2006, which came into effect in 2007 [7]. Second, South Korea's per capita number of social organizations is small.

Table 3: 2007-2013 Market and social environment in Korea [3,10].

Index	2007	2008	2009	2010	2011	2012	2013	Average
growth rate of per capita GDP	8.11%	4.19%	0.91%	7.55%	5.03%	3.10%	2.05%	4.42%
Inflation rate, average consumer prices	2.5%	4.7%	2.8%	2.9%	4%	2.2%	1.3%	2.91%
Unemployment rate	3.3%	3.2%	3.6%	3.7%	3.4%	3.2%	3.1%	3.36%
The number of social organizations per capita(number per thousand people)	1.49	1.67	1.83	1.94	2.04	2.17	2.30	1.92

3.3. Target Dimension

The goals of South Korea's social enterprise strategy have changed significantly during the course of the past three decades. From 1999 to 2002, at this stage, the South Korean government provided assistance to marginalized groups to solve poverty and unemployment problems, and the policy field favored the combination of welfare and labor policy. From 2003 to 2005, the goal of the second stage was to solve the problem of jobless growth through support for the general unemployed, and the policy area was labor policy. From 2006 to 2013, in the third stage, the target issue was unemployment, and the policy area was labor policy as in the second stage. Korea's focus on job creation continued to intensify during this period. The target dimensions of these three periods demonstrate a shift from providing assistance to marginalized populations to addressing poverty and unemployment issues towards "job creation", and in recent years, there has been a surge in attention to "job creation" [11]. The core goals of the government's social enterprise strategy are to address economic issues, boost employment levels, and continuously encourage social and financial innovation. South Korea's social enterprise policy formulation is linked to the market economy to help unemployed groups find jobs, relieve economic pressure, and stimulate market vitality. However, the government has also given greater consideration to the production of social benefits as a result of the adoption of social enterprise policies.

3.4. Performance Dimension

Table 4 shows the social enterprises certified in Korea during the time period from 2007 to 2013. It is analyzed by combining the specific data with the background and foundation of social enterprise development in Korea. It can be found that the number of social enterprises in Korea has shown an increasing trend in all types of social enterprises. The total number of social enterprises increased from 34 in 2007 to 674 in 2013, and the number of newly certified social enterprises increased every year. During the same period, the number of types of social enterprises has also increased, with the number of categories increasing from an initial 9 in 2007 to 15 in 2013. In summary, in the early and middle stages of social enterprise development in Korea, the qualitative and quantitative development of social enterprises has been promoted through the process of improving the existing problems.

Table 4: Number of Korean social enterprises certified by the Korea social enterprise promotion agency, 2007-2013 [12].

Year	2007	2008	2009	2010	2011	2012	2013
Total	34	131	177	299	390	494	674

4. Comparative Analysis of Policy System

For countries with strong government forces such as South Korea and China, the development of policies depends to a great extent on whether the government and its officials can pay attention to relevant issues and make them on the agenda.

4.1. Intercomparison Results

Through the comparison of the four dimensions of history, goal, structure and performance, the following results can be obtained: First, South Korea's social enterprise policy has a long history, and its government-driven characteristics are more obvious; in contrast, China's policy history is relatively short, and it has not formed a national policy action. Its main promoters are academic circles, and the government's motivation is insufficient. Second, due to differences in ideology and mainstream political culture, the Chinese government has placed more emphasis on the public welfare of social enterprises, while maintaining a prudent attitude towards the market innovation of social enterprises. Third, in the important years of the government's promotion of social enterprise policies, South Korea is facing a more severe market environment test. The per capita GDP growth rate is relatively low, while the inflation rate is high, and the national intuitive sense of acquisition is not so strong, making social contradictions relatively prominent. However, at the same time, the development of South Korea's social environment is still weak, and the number of social organizations per capita is quite small, so it is difficult to protect the vulnerable groups in society through spontaneous organizations. Fourth, in terms of results, South Korea has achieved better policy results in the important years when the government has promoted social enterprise policies.

4.2. Causes of Difference

In the policy system that includes four dimensions of history, goal, structure and performance, the dimensions of history, goal and structure can be understood as the independent variables of the system, while the performance dimension is the dependent variable. The difference of history, objectives and structure will first determine the difference of government's emphasis on social enterprise policy, and the degree of government's emphasis will affect the change of policy performance. In countries such as China and South Korea, where national power is strong and

social power is weak, the government's emphasis on social enterprises will directly lead to differences in policy outcomes [13].

The above-mentioned differences in history, objectives and structure have caused the differences in the degree of attention of the Chinese and Korean governments for the following three reasons.

First of all, from the perspective of the history of policy formulation, South Korea's social enterprise policy formulation has a long history, in which the social enterprise policy has been continuously improved, and the policy performance of the previous stage may also continue to give the government positive feedback. The historical span is not the first reason, but it will gradually build a positive feedback system of policy gradualness.

Secondly, due to the socialist nature of the Chinese government, its ideology has been wary of excessive market development, making institutional market innovation more prudent and financial support more limited than South Korea.

Thirdly, in the key years of social enterprise policy formulation in South Korea, the market problems faced by South Korea are more serious, and the social forces are weak, making the vulnerable groups de facto lack protection. The shortcomings of market and social development seek new solutions, giving social enterprise policy making sufficient demand.

4.3. Policy Issues and Policy Effects

At the time of writing this article, China's local governments have a relatively large fiscal deficit. Because social enterprises, to a certain extent, let the market bear the social welfare function that was originally contracted to the big government, thus playing a role in reducing public fiscal expenditure, this may mean that the improvement of social enterprise policy in China has a stronger impetus.

This study analyses the social enterprise policies of China and South Korea by adopting the four-dimensional progressive model, and then compares and analyses the social enterprise policies of the two countries. By comparing the differences in the development process in the historical, structural and goal dimensions, it can be found that the Chinese government's role in promoting the development of social enterprises is weak. As a result of this weak support, policies have not promoted the high quality and efficient functioning of social enterprises, and the process of development has been slow. This reflects the low policy performance in reality.

The reason for this problem is that China, as a large socialist country, has stricter control over the role of the market than South Korea, which adopts a capitalist system, but market forces play a crucial part in the construction and evolution of social enterprises. How to balance and control the connection between market and government forces is a key focus issue. Secondly, compared the Korean government's sensitivity to the development of social enterprises due to the intensification of social conflicts and the proliferation of problems during the impact of the two economic crises. In the meantime, because the severity of Chinese significant social problems is lower than that of Korea, it has not developed the same level of sensitivity. Therefore, the government's understanding of how to participate in the course of promoting social enterprises is still unclear.

4.4. Policy Proposal

The Chinese government can introduce corresponding laws on social enterprises according to the national conditions of socialism with Chinese distinctions and the actual needs of society. This will create a social environment conducive to the advance of social enterprises, increase the recognition of social enterprises by all sectors of society, and provide legal prejudices for the construction and promotion of social enterprises. At the same time, it provides legal standards for the internal construction and management of social enterprises, so that social enterprises can respond to social

needs and assume social responsibility more effectively. The government can also better manage and cultivate them.

Secondly, the Government can increase its financial support. For example, it can use direct means to give subsidies to social enterprises through the introduction of corresponding support policies, or use indirect means to purchase the products of social enterprises. By increasing financial support, the pressure caused by the lack of funds at the initial stage of the development process of social enterprises can be effectively alleviated. The government should assess the reasonableness of the social enterprise improvement plan and the necessity of financial support before providing funding [13]. This is the basis for the development of effective financial support programs.

Furthermore, the Government should gradually withdraw or shift to an indirect way of supporting the progress of social enterprises. At the initial stage of social enterprise development, government financial support is needed to lay a good foundation for nurturing. However, in the long run, social enterprises can really build their own financial support system only when they gradually detach from government support and integrate into the financing market that is dominated by capital market supply funds [14]. In order to improve the ability of social enterprises to make their own blood, enterprises can be self-financing, rather than relying on government support to operate various activities.

5. Conclusions

This paper finds that China has a shorter history of social enterprise policies and that the government's promotion of social enterprise development is weaker at this stage. South Korea has a longer history of social enterprise policy, and the government's promotion of social enterprise development is stronger. In contrast to China's cautious approach to market influences, South Korea plays a more active role in the market. Furthermore, Korea has less social organizations per capita. Finally, South Korea has achieved better policy results at the same stage of social enterprise development in South Korea and China. Therefore, at a time when local governments are running large deficits, it is recommended that the Chinese government strengthen its efforts to boost the evolution of social enterprises, for example, through financial support. At the same time, it is recommended that the government emphasize the important and positive role of the market in the promotion of social enterprises, and promote the ability of social enterprises to innovate in the market while retaining their public interest. Finally, it is recommended that the government should create a favourable ecological environment for the survival and development of social enterprises through the introduction of a social enterprise law or the formulation of relevant policies.

Among the existing studies based on a comparative perspective of social enterprises in China and South Korea, not many specific comparative studies have been found on issues related to social enterprise policies in China and South Korea. Most of the studies are based on large scale country studies and appear as partial theoretical support. This research, on the other hand, takes a small view and focuses on refining the comparative study of social enterprise policies between China and South Korea. It provides new perspectives and ideas for subsequent research, as well as providing policy actors with new directions for policy ideas and policy goals that are beneficial to satisfy the needs of policy behaviours and actual national conditions. This will in turn influence policy performance in a positive way.

The depth of research in this study is not deep enough, and the comparative analysis of social enterprise policies in South Korea and China stays in a relatively simple qualitative study, lacking quantitative data support. Therefore, it is envisaged to collect samples of information related to social enterprise policies of China and South Korea and conduct quantitative analyses in future research. Specific and intuitive data will be used to support the research and analysis.

Authors Contribution

All the authors contributed equally and their names were listed in alphabetical order.

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