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Civil Society in Korea

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1. Current Status of the nonprofit sector in Korea

1-1. Background history and fact sheet

Historical background

In Korea, the term, ‘nonprofit sector’ has increasingly been used to describe the space between the state and for-profit sectors since the early 2000s (Kim and Hwang, 2002). The evolution and character of the nonprofit sector in Korea reflects the turbulent history of the 20th century, from Japanese occupation (1910-45), the Korean War, military dictatorship (1961-1987), political democratization in the late 1980s, and the East Asian Economic Crisis of 1997.

Japanese occupation and Korean War

Japanese occupation (1910-45) restricted the development of a vibrant and independent civil society. Notable organizations during this period were foreign Christian voluntary organizations, such as the Young Men’s Christian Association established in 1903.

The years following liberalization in 1945 saw the emergence of various types of nonprofit organizations, which dramatically expanded the Korean social sphere (Kim and Hwang, 2002). Most organizations that developed during this period were development or welfare-providing organizations for the poor, founded and supported by foreign aid (Kim and Hwang, 2002; Kim 2008). At the same time, labor and peasant movements gave rise to ideologically polarized social movements leading up to the 1950-53 Korean War.

Military dictatorship

Under military dictatorship (1961-1987), the government mobilized self-help movements, most notably the Saemaul Movement, to revive rural communities in the context of rapid urbanization and industrialization. While utilizing such quasi-governmental organizations to mobilize support for national development, the authoritarian regime oppressed voluntary self-help organizations in urban areas led by activists and university students which aimed at improving the livelihood of urban workers, peasants and the socially excluded (Kim and Hwang 2002; Kim 2008; Hong 2005). These voluntary movements in urban areas developed as political democratization movements against the authoritarian regime.

Political democratization

Leading up to the Great Democratic Movement that toppled the authoritarian regime in 1987, powerful advocacy organizations such as Lawyers for a Democratic Society, the People's Solidarity for Participatory Democracy (PSPD, 1994), the Citizen's Coalition of Economic Justice (CCEJ, 1989), Green Korea (1991), the Korean Federation for Environmental Movement (KFEM, 1993) emerged (Kim and Hwang 2002; Mendell 2010). Increasing freedom of association in the post-democratization years allowed the burgeoning of voluntary organizations (Kim and Hwang, 2002). Social and political activists, who had been devoted to political democratization and/or people's emancipation, now came to organize 'civil society organizations,' which were concerned about 'civic' issues such as political transparency, economic justice, and the promotion of welfare policies (You 2001; Lee 2005). Kim and Hwang (2002) note that the 1990s marked the growing public recognition of civil society as an independent sector, capable of exerting influence on both the state and for-profit sectors.

Post-1997 Economic crisis

The East Asian economic crisis in 1997, followed by the governing party turnover and the election of President Kim Dae Jung in 1998, opened up a new era for the development of nonprofit organizations as policy partners. In the aftermath of the economic crisis, the new government cooperated with newly developed civil society organizations to manage self-sufficiency programs and social employment programs, which were 'productive welfare' programs run by the Ministry of Health and Welfare and the Ministry of Labor, respectively, for tackling issues of growing concern such as poverty, unemployment, and social exclusion.

Sector size

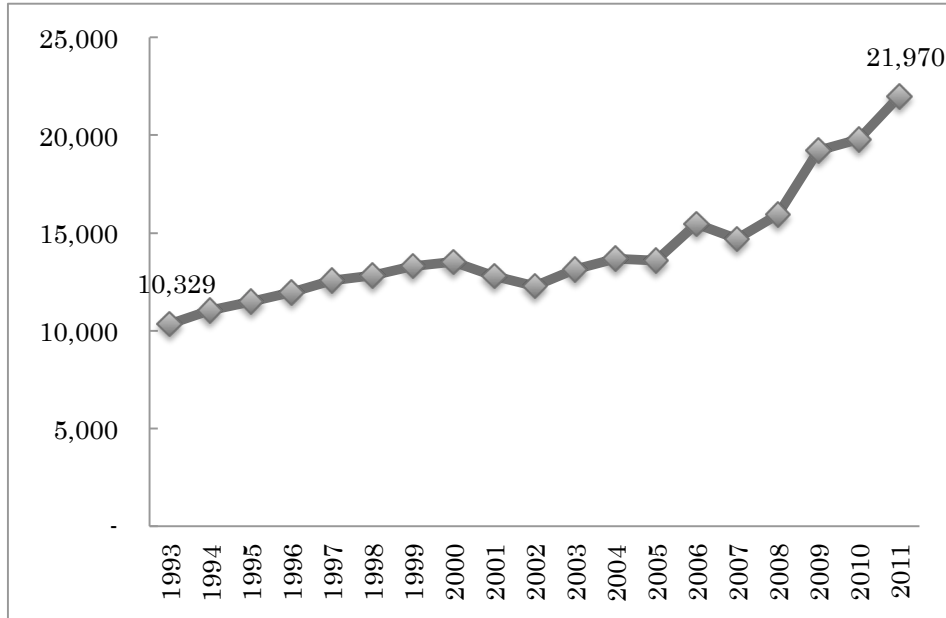
Public service corporations (*gongick beobin*) and nonprofit corporations (*biyeongri beobin*) are regulated according to separate laws in Korea. Moreover, due to the large number of unregistered NGOs and the lack of sufficient data, it is difficult accurately to grasp the size of the nonprofit sector.

The following information derives from the *Korean Civil Society Yearbook 2012* published by the Citizens' Movement Communication Center. This data encompasses nonprofit corporations, excluding social welfare institutions, medical corporations and educational institutions in 2011.

- The number of nonprofit corporations have more than doubled from 10,329

organizations in 1993 to 21,970 organizations in 2011.

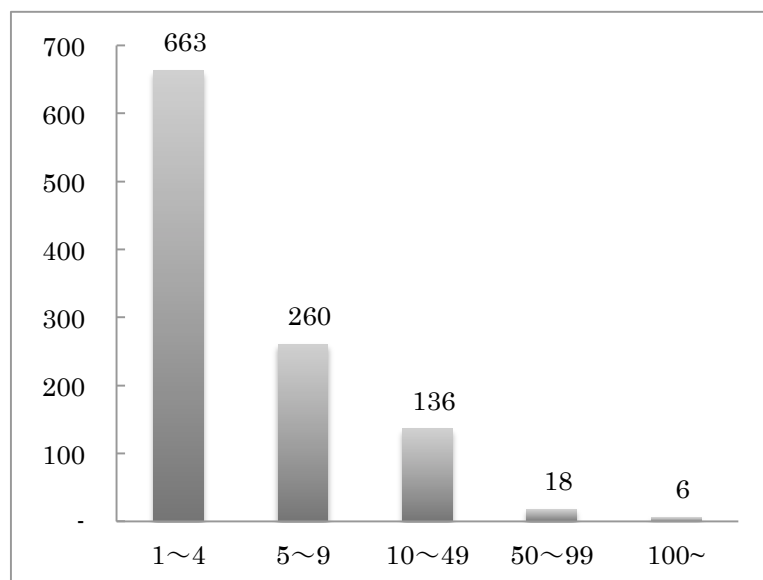
Figure 1 Changes in the number of nonprofit corporations



Source: Citizens' Movement Communication Center (2011)

- The distribution of membership numbers was as follows. 53.0% of organizations had 100 to 1000 members. 25.0% of organizations had 1000 to 10000 members. 9.8% of organizations had less than 100 members.
- The average number of full-time employees in 2011 was 8 people. 663 organizations (61.2% of total) have 1~4 full-time employees, 260 organizations (24.0% of total) have 5~9 full time employees, and 136 organizations have 10~49 full time employees (12.6% of total).

Figure 2 Full-time employment



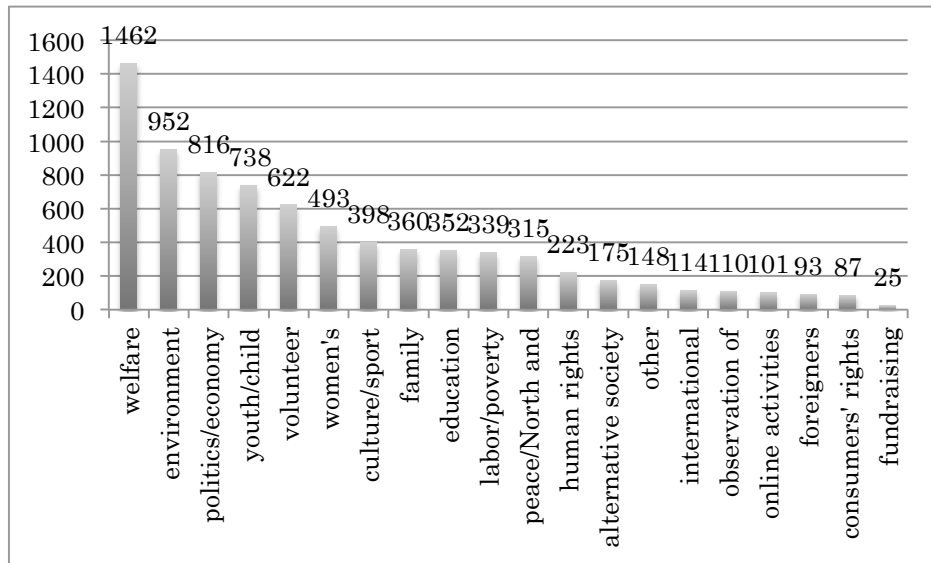
Source: Citizens' Movement Communication Center (2011)

Sector and regional distribution

The data below is based on 7,923 registered nonprofit organizations according to the *Korean Civil Society Yearbook 2012*.

- The distribution of nonprofit organizations according to sector were as shown in Figure 3. 1462 organizations, or 18.5% of organizations, were involved in welfare activities.

Figure 3 Distribution of nonprofit organizations according to sector

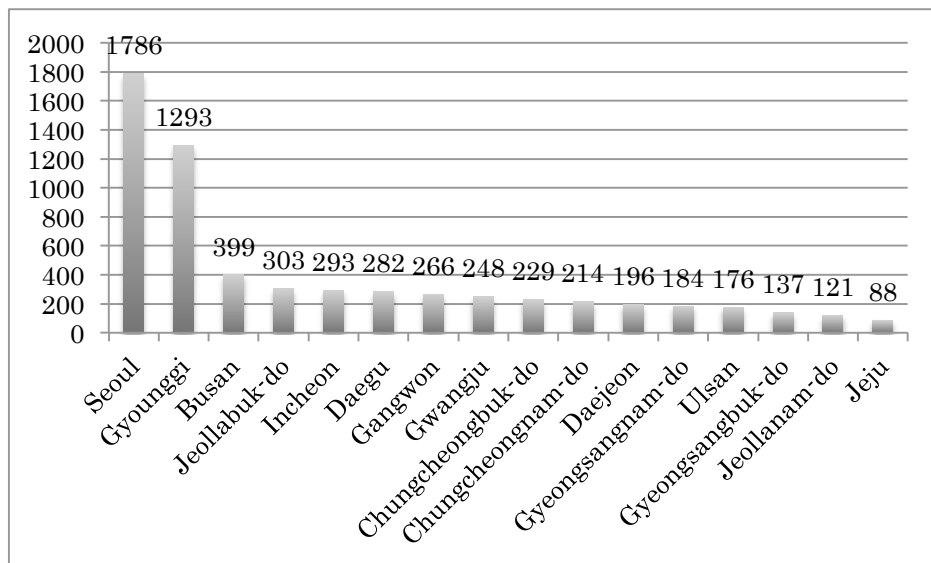


Source: Citizens' Movement Communication Center (2011)

Regional distribution

- The regional distribution of nonprofit organizations were as shown in Figure 5. 28.7% and 20.8% of organizations were based in Seoul and Gyeonggi provinces, respectively.

Figure 4 Regional distribution



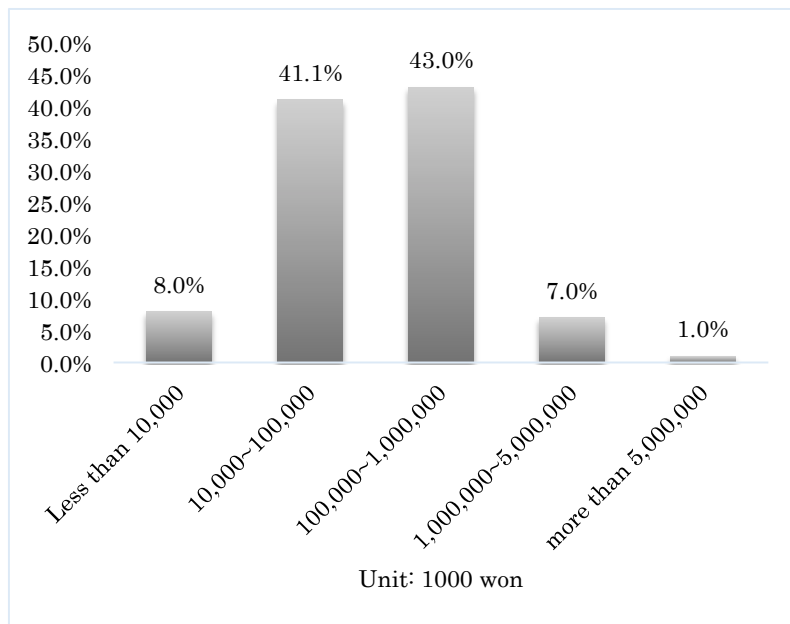
Source: Citizens' Movement Communication Center (2011)

Budget and donations

Budget scale

- The distribution of budget scale is as follows: 43.0% of organizations have a budget scale of 100 million to a billion won. 41.1% of organizations have a budget scale of 10 million to 100 million won. The average budget for nonprofit corporations was approximately 600 million won.

Figure 5 Budget scale



Source: Citizens' Movement Communication Center (2011)

Donations

After the 1997 economic crisis, both civil society actors and the government have made various initiatives for promoting charitable activities (Park and Park, 2004). Volunteer21, a nonprofit organization founded in 1997 for the purpose of strengthening volunteerism in Korea. The Beautiful Foundation, the first community foundation in Korea, was established in 2000 to promote the 'culture of giving'. Since 2001, the Foundation has been publishing the *Giving Index of Korea* to evaluate trends in charitable donations (Beautiful Foundation, 2012).

Donations and voluntary service were included in the national social survey of Korea since 2011. This has made it possible to assess the trends in giving and volunteering on a national scale (Beautiful Foundation, 2012).

According to the National Tax Service, total charitable giving in 2011

amounted to 11.16 trillion KRW, well over double the amount in 2000 (4.25 trillion KRW). Individual donations in 2011 were 7.09 trillion KRW (63.5%), and corporate donations were 4.07 trillion KRW (36.5%).

Table 1 Changes in charitable giving

		Unit 1000,000,000,000KRW								
Year		2000	2001	2003	2005	2007	2008	2009	2010	2011
Total		4.25	4.67	5.9	7.13	8.75	9.05	9.61	10.03	11.16
Individual	Wage-earners	2	2.7	3.2	3.6	4.23	4.27	4.64	4.86	5.19
	Consolidated income	0.23	0.28	0.54		1.14	1.4	1.51	1.67	1.9
	Subtotal	2.23	2.98	3.74	4.34	5.37	5.67	6.15	6.53	7.09
	Proportion	50.1 %	63.8 %	63.4 %	60.9 %	61.3 %	61.3 %	64.0 %	61.1 %	63.5 %
Corporate	Amount	2.22	1.69	2.16	2.79	3.38	3.38	3.46	3.5	4.07
	Proportion	49.9 %	36.2 %	36.6 %	39.1 %	38.6 %	38.6 %	36.0 %	34.9 %	36.5 %

Source: Son and Park (2014)

The data below is based on the *National Survey on Voluntary Activities and Giving*, carried out by Volunteer21 (2012). The survey was conducted in 2011 on a nation-wide sample of 1500 individuals. The sample consists of 43.4% male and 56.6% female interviewees.

- 63.9% of respondents answered that they had made at least 1 donation in 2011. Donations to non-religious organizations were made by 48.9% of respondents, a 2.1% increase from 2008 (Volunteer 21, 2012).
- 43.4% of donors were male, while 56.6% of donors were female. In terms of age, those in their 40s (24.1%) made the most donations, followed by those in their 50s and 60s.

Table 2 Participation in charitable contributions

63.9%				
Gender	Male		Female	
	43.4%		56.6%	
Age	20s	30s	40s	50s+
	13.6	19.9	24.1%	42.4
Income	2.0 mill	2.0-3.0 mill	3.0-4.0 mill	4.0 mill+
	19.9	20.6	28.1	29.9

Source: Volunteer21 (2012)

1-2. Changing contexts and trends in recent years

Due to the historical context of authoritarian rule followed by democratization, the Korean nonprofit sector has been characterized by a large number of unregistered NGOs that arose as advocacy groups for political democratization (Kim and Hwang 2002; Mendell 2010; Park and Tsujinaka 2014).

By contrast, service-providing NPOs comprise legally defined nonprofit corporations (*biyeongri beobin*): social welfare institutions, educational institutions (universities), and medical corporations (hospitals). Incorporated social welfare centers provide welfare services to the elderly, children, and disabled. These nonprofit corporations have maintained a close relationship with the government, as they have been enrolled in public assistance schemes and are supervised by local governments, which make up a major source of their income (Mendell, 2010: 14). On the other hand, private foundations have been dominated by corporate foundations, which are affiliates of large conglomerates and mainly provide scholarships to individuals, rather than working with nonprofit organizations (Mendell 2010; Sohn 2014; Park 1996).

Therefore, the Korean nonprofit sector has been characterized by a dichotomy between independent advocacy NGOs and civic movements on the one hand, and service-providing NPOs which have had close relationships with the government and corporate foundations which are tied to the private sector on the other. A recent trend is the softening of the opposition between advocacy NGOs and service-providing NPOs. Since the 2000s, grass-roots nonprofit organizations have increasingly been taking on public-service providing roles to complement government services in the context of increasing demand alongside low public spending (Park and Tsujinaka, 2014). Moreover, new types of public foundations established by civil society leaders, and

which advocate for the poor and socially excluded, have been emerging (Mendell, 2010).

1-3. Chief participants (NPOs, religious groups, hospitals, social welfare institutions, and corporations) and estimated total number of participants

There are several terms that refer to nonprofit organizations in Korea. These terms are not clearly defined and are often used interchangeably. However, there is no special legal form for ‘nonprofit organization’ as such, which refers to tax-exempt social-purpose organizations as the term is used in the United States. Traditionally, the Korean nonprofit sector has been characterized by a high percentage of non-registered NGOs, which have focused on advocacy and development, while organizations centered on service provision have tended to be registered (Kim and Hwang, 2002).

Table 3 Terms and Definitions

Terms	Definitions
Civil movement organizations (<i>simin undong danche</i>)	Reform-oriented, citizen-participating civil society organizations (<i>simin danche</i>)
Civil society organizations (<i>simin danche</i>)	Public-benefit oriented NGOs (<i>mingan danche</i>); All NGOs except foundations, business and professional associations, trade unions, social services, art and culture and organizations
NGOs (<i>mingan danche</i>)	All NPOs except educational institutions and nonprofit medical institutions
NPOs (<i>biyeongri danche</i>)	All nonprofit organizations
Public service corporations (<i>gongick beobin</i>)	Legally registered incorporated foundations and associations for the general public interest regulated by Article 32 of the Civil Act.
Nonprofit corporations (<i>biyeongri beobin</i>)	Umbrella term for incorporated NPOs, including public service corporations, and those regulated by special laws: social welfare institutions, educational institutions, medical corporations
Nonprofit organizations (<i>biyeongri mingan danche</i>)	Legal term for NPOs supported by 2000 Assistance for Nonprofit, Non-Governmental Organization Act, whether they are incorporated or not

Source: Kim and Hwang (2002), modified by the author

Table 4 Number of nonprofit organizations

Nonprofit corporations		23,944 ¹
Public service corporations	Total	29,849
	Social welfare	3,135
	Education	1,704
	Medical care	817
	Religion	17,629
	Academy	3,510
	Art and culture	783
	Others	2,271
Nonprofit organizations ²		11,579

Source: National Tax Statistics (2014): number of nonprofit corporations and public service corporations in 2013

1-4. Activities and tools

Volunteering

According to the study by Volunteer21 (2012), 21.4% of respondents participated in a voluntary activity in 2011. There was no significant difference between the participation rates of female and male volunteers at 21.4% and 21.3%, respectively. The most popular areas of volunteer activity were social welfare organizations (38.9%) and religious organizations (25.9%).

¹ The data appearing in the National Tax Statistics does not reflect the total number of nonprofit corporations: the real number is likely to be much larger than this. On the one hand, the NTS data includes only those corporations which engage in profit-making activities. On the other hand, the government administration on nonprofit corporations is devolved to various government ministries according to business characteristics of NPCs, which makes it difficult to make collective data on total NPCs (Korean Academic Society of Taxation, 30 June 2011: 21)

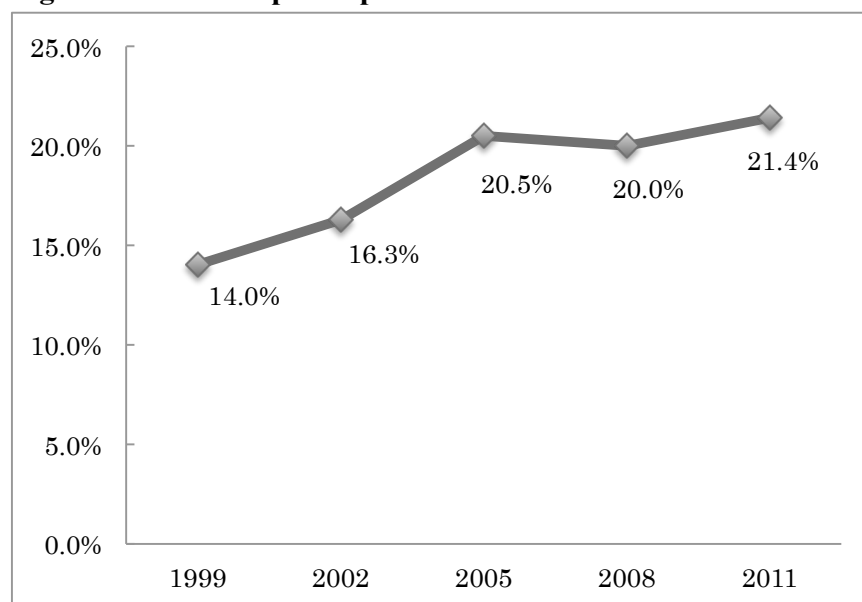
² This number does not reflect the total number of nonprofit organizations in Korea. Instead, this data includes only those which are registered to the government in accordance with the Assistance for Nonprofit, Non-Governmental Organizations Act.

Table 5 Participation rate in volunteering

21.4%				
Gender	Male		Female	
	21.4%		21.3%	
Age	20s	30s	40s	50s+
	19.9	15.6	24.0	40.5

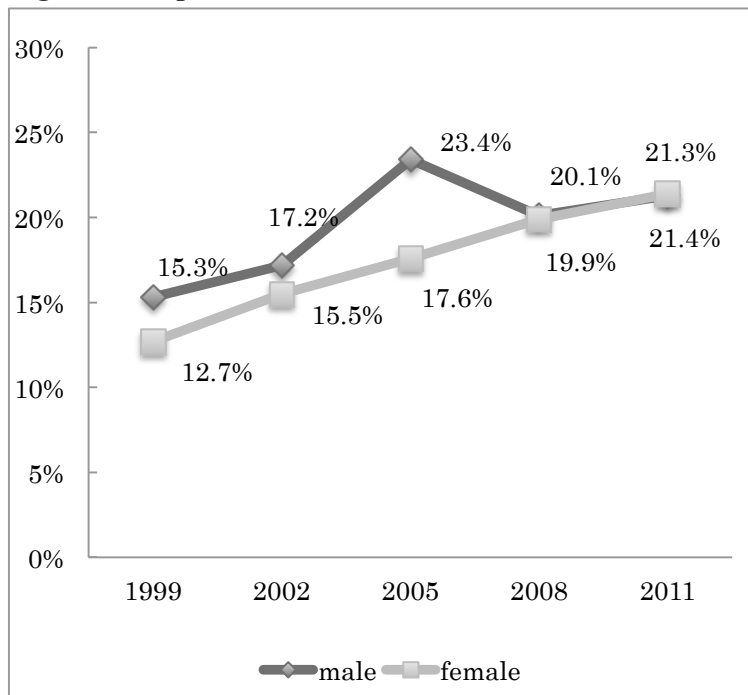
Source: Volunteer 21 (2012)

Figure 6 Volunteer participation rates



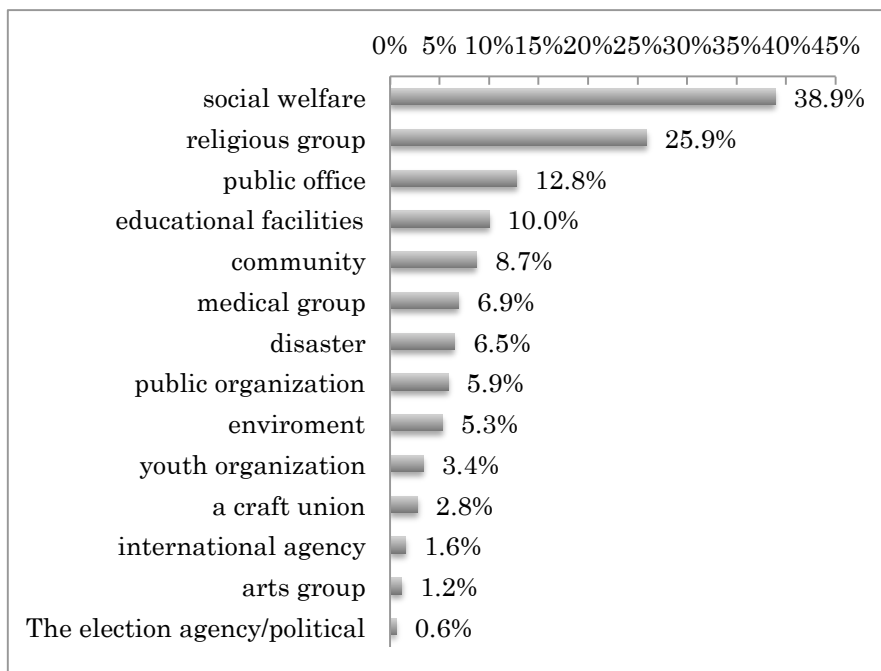
Source: Volunteer 21 (2012)

Figure 7 Proportion of male and female volunteers



Source: Volunteer 21 (2012)

Figure 8 Distribution of volunteers according to sector



Source: Volunteer 21 (2012)

1-5. Structures and scales of funding sources e.g. donations and service revenue

The following data is derived from a joint study conducted by the Institute of Government Study, Korea University and Yutaka Tsujinaka at Tsukuba University, Japan between March 2008 and March 2009. The study comprises three rounds of surveys of 7,030 nonprofit organizations registered to a central government authority or one of 15 metropolitan cities and provinces. The response rate was 6.0% or 425 organizations (Park and Tsujinaka, 2014: 10).

Table 6 shows the average percentage of the respective income sources in the annual income of organizations by activity area. Membership fees (43.3%) followed by government subsidies (23.4%) comprised the largest portion of income. Non-government funding sources comprised 52.4% (membership fee 43.3% and business income 9.1%) of the total income, whereas government sources comprised 25.0% of total income (public procurement 1.5% and government subsidy 23.4%).

Table 6 Income composition according to activity area

	Unit: %						
	Membe rship fee	Busines s income	Public procure ment	Govern ment subsidy	Fund raising	Other	N
Health /welfare	42.8	6.9	0.4	25.1	15.4	9.4	51
Education/cultur e	48.4	7.7	2.2	23.7	11.3	6.8	91
Community building	43.7	8.5	1.1	22	10.6	13.4	23
Environment/ disaster relief	42.4	12.8	0.9	21.9	10.0	12.1	79
Economy/ industry	39.7	16.1	1.1	22.8	12.3	8.1	18
Human rights/ international	40.4	7.7	0.6	20.9	21.1	9.2	50
Capacity building	26.4	1.8	12.2	39.2	1.0	18.9	11
Total	43.3	9.1	1.5	23.4	12.8	9.8	323

Source: Park and Tsujinaka 2014: 40

1-6. Policy framework

Public service corporations (gongick beobin)

Public service corporations are legally registered nonprofit organizations. Article 32 of the Civil Act stipulates that ‘An association or foundation relating to science, religion, charity, art, social intercourse, or otherwise relating to enterprises not engaged in for profit or gain, may be formed as a juristic person subject to the permission of the competent authorities.’ The Act on the Establishment and Operation of Public Interest Corporations regulates the foundation and management of public interest corporations according to the Civil Act. Public interest corporations include incorporated foundations or associations with the purpose of ‘conducting activities concerning aid or payment of school expenses, scholarships or research expenses, sciences and charities in order to contribute to the general interest of society’ (Act on the Establishment and Operation of Public Interest Corporations, Article 2).

Nonprofit corporation (biyeongri beobin)

Nonprofit corporation is an umbrella term that encompasses all incorporated nonprofit organizations, including public service corporations and nonprofit corporations regulated by special laws include medical corporations, which are regulated in accordance with the Medical Act, social welfare institutions, which are regulated in accordance with the Social Welfare Business Act, and educational institutions, which are regulated in accordance with the Private School Act.

Nonprofit organizations (beyoungri mingan danche)

In April 2000, the National Assembly enacted the 2000 Assistance for Nonprofit, Non-Governmental Organization Act, which provides a legal basis for the government to give support and subsidies to nonprofit organizations engaged in public interest projects (Park and Tsujinaka, 2014). In contrast to the Japanese NPO Act, this Act does not provide any specific legal entity for NPOs. While nonprofit organizations may either be incorporated or unincorporated, they must be registered with the central government, metropolitan city or province. According to Article 2 of the Act, a nonprofit organization must fulfill the following criteria:

1. the directly affected beneficiary shall be unidentified multitudes (or general public);
2. the profit shall not be distributed to members;

3. the purpose shall not be, in fact, to support a specific political party or its candidates, nor to promote teachings of a specified religion;
4. the constant members shall be more than one hundred people;
5. the activities of public interest nature shall be recently performed for more than one year; and
6. in case of an organization other than a juridical person, a representative or manager shall be appointed.

The Act does not prescribe a list of activity areas that come under public interest. Instead, Article 7 of the Act stipulates that assistance for public interest business shall be determined each year based on social demand. Activity areas which have been selected for assistance more than five times between 1999 and 2009, include social integration, culture and sports, strengthening NGOs and volunteering activities, promoting safety, promoting the human rights of socially excluded people, environmental protection, international exchange, and abolishing corruption and promoting transparency (Park and Tsujinaka, 2014: 6).

Social cooperatives

The Framework Act on Cooperatives enacted in 2012 established social cooperatives as a distinct legal entity from normal cooperatives. A cooperative refers to an organization that ‘purchases, produces, sells or delivers goods or services in a cooperative way, so that it may increase the benefit of its members and contribute to the community’ (Framework Act on Cooperatives, Article 2). While usual cooperatives distribute profits to its members, social cooperatives aim to increase the welfare of local residents or provide social services and jobs to the disadvantaged, and are regulated as nonprofit organizations that may not distribute surpluses.

1-7. Objectives of intermediary organizations

Since the 2000s, new types of public foundations established by civil society leaders, and which advocate for the poor and socially excluded, have been emerging (Mendell, 2010). See section 3-6 for the roles of foundations that support the nonprofit sector in Korea.

1-8. Current agenda

While the Korean nonprofit sector has developed as nation-wide advocacy organizations in the context of democratization, since the 2000s, grass-roots nonprofit organizations have increasingly been taking on public-service providing roles (Park and Tsujinaka, 2014). Thus, a current agenda is to develop further the grass-roots capacity of local nonprofit organizations as service providers and as participants in local governance concerning local social services.

1-9. Potential scenarios for the future

Potential scenarios for the future include the growth of social enterprises and social cooperatives in the fields of work integration and care services in the context of structural unemployment and unmet social needs. See Section 2 below.

2. Non-conventional behavior of the Nonprofit sector in Korea

2-1. Background history and fact sheet

After the 1997 financial crisis, existing safety nets were inadequate for dealing with mass unemployment and the various social problems that ensued, including homelessness, suicide, and poverty (Mendell, 2010). Civic movements such as the National Solidarity to Overcome Unemployment, which was an alliance of over 40 civic groups, lobbied for work integration policies to improve the livelihood of the poor in the aftermath of the economic crisis.

While Korea has recovered from the economic crisis, the Korean labor market continues to be marked by structural weaknesses, including a high proportion of precarious and non-regular salaried jobs with low social benefits and weak social protection (Mendell, 2010). In 2013, 22.4% of Korean employees were on temporary jobs, 9 percentage points above the OECD average. This has led to the bipolarization of the labor market, resulting in economic inequality and social exclusion. The Gini coefficient for income inequality was 0.31, close to the OECD average, and the poverty rate was 15.2% in 2011, compared to the OECD average of 11.7%. In addition, an ageing population means increasing demand for social services.

Within this context, the Korean government has been actively promoting the development of ‘social economy’ organizations, including social enterprises and social cooperatives, as a way to tackle unemployment and economic polarization, as well as to address growing demand for social services social services, which have not been successfully addressed by the state or the market (Cf. Social Enterprise Promotion Act 2007; Framework Act on Cooperatives 2012; Mendell 2010). Social economy organizations in Korea are legally defined according to Acts of the National Assembly, and must be registered or certified by the relevant central ministries.

Table 7 Social Economy Organizations in Korea

	Meaning	Legal provision	Ministry	Profit distribution
Social enterprise	Enterprise that pursues a social objective, such as raising local residents' quality of life, etc., by providing vulnerable groups with social services or jobs while conducting business activities	Social Enterprise Promotion Act (2007)	Ministry of Economy and Labor	Nonprofit (NPO) Not-for-profit (cooperative) Limited profit-distribution - 30% cap on surplus distribution
Cooperative	Organization that purchases, produces, sells or deliver goods or services in a cooperative way	Framework Act on Co-operatives (2012)	Ministry of Strategy and Finance	Not-for-profit, promoting collective wealth
Social cooperative	Cooperative that does not aim at profit-making but runs programs that increase the welfare of residents or provide social services or jobs to the disadvantaged	Framework Act on Co-operatives (2012)	Ministry of Strategy and Finance	Nonprofit: surplus distribution prohibited

Social Enterprise

The Social Enterprise Promotion Act was passed in 2006, and came into effect in July, 2007. According to the Act, a social enterprise is ‘an enterprise that pursues a social objective, such as raising local residents’ quality of life, etc., by providing vulnerable groups with social services or jobs while conducting business activities, such as the production and sale of goods and services, etc.’ (Social Enterprise Promotion Act, Article 2). According to Article 2 of the Act, social enterprises reinvest their profits in the business of the local community, prioritizing their social purpose over maximizing shareholders’ or owners’ profits. The distribution of surpluses of for-profit social enterprises is limited to less than 30% of the total surplus. While a social enterprise can take a variety of legal forms, such as registered nonprofit organizations, incorporated, limited liability companies and cooperatives, a social enterprise must be registered by the Ministry of Economy and Labor.

In 2010, the Social Enterprise Promotion Agency was established in order to promote the development of social enterprises (<http://socialenterprise.or.kr/eng/intro/intro.do>).

There are currently 5 types of social enterprises (Social Enterprise Promotion Agency).

1. Job-creation Type: The main purpose of the enterprise is to offer jobs to vulnerable social groups.
2. Social Service Provision Type: The main purpose of the enterprise is to provide vulnerable social groups with social services.
3. Mixed Type: Job-creation Type + Social Service Provision Type
4. Other Types: A social enterprise of which realization of social purposes is difficult to judge on the basis of the ratio of employment or provision of social service.
5. Local Community Contribution Type: An enterprise which contributes to the improvement in the quality of life of the local community. (newly defined in 2011)

According to the Social Enterprise Promotion Agency website, there are 1251 certified social enterprises as of December 2014.

Table 8 Social Enterprises by sector

	Frequency	Percentage
Arts	192	15.3%
Environment	202	16.1%
Nursing	81	6.5%
Education	89	7.1%
Social welfare	58	4.6%
Day care	19	1.5%
Health	3	0.2%
Forest preservation	2	0.2%
Other	605	43.1%

Source: Social Enterprise Promotion Agency (<http://www.socialenterprise.or.kr/index.do>)

Table 9 Approved number of Social Enterprises

	Number of provisionary social enterprises	Number of social enterprises	Number of employees in social enterprises (vulnerable people)	Total number of employees in social enterprises
2007	396	50	1403	2539
2008	602	208	4832	8329
2009	646	285	6467	11150
2010	961	501	8227	13443
2011	1260	644	10018	16319
2012	1852	744	11443	18689
2013	1537	950	13108	21574

Source: 2013 Social Enterprise Directory

Framework Act on Cooperatives

The Framework Act on Cooperatives enacted in 2012 created a special legal definition for nonprofit social cooperatives. A cooperative refers to an organization that ‘purchases, produces, sells or delivers goods or services in a cooperative way, so that it may increase the benefit of its members and contribute to the community’ (Framework Act on Cooperatives, Article 2). The Act distinguishes social cooperatives, which do not aim at profit-making but run programs that increase the welfare of residents or provide social services or jobs to the disadvantaged (Framework Act on Cooperatives, Article 2), from non-social cooperatives. While non-social cooperatives can make profits and distribute surpluses to their members, social cooperatives are regulated as nonprofit organizations and may not distribute surpluses.

Table 10 Number of cooperatives

	Cooperatives	Social cooperatives	Non social cooperatives
2012	56	1	55
2013	3,349	111	3,238
2014	6,343	233	6,110

Source: Ministry of Strategy and Finance

2-2. Role of CSR in private sector

The following information on CSR activities is based on the *Giving Korea 2013* report prepared by the Beautiful Foundation (2013). The report is based on interviews of 400 samples of the top 2000 companies in terms of revenue, regarding their social contribution activities and performance in 2012.

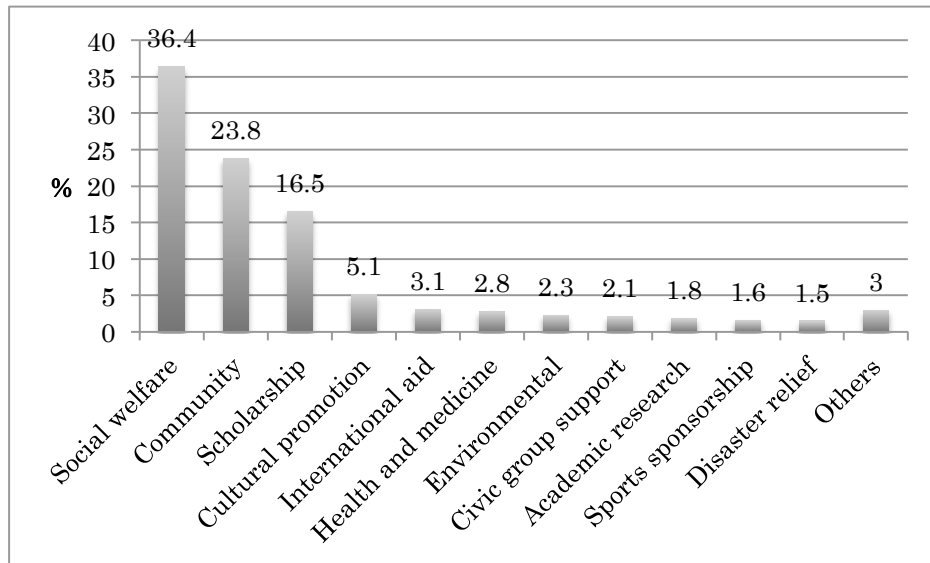
Participation in CSR

- Of the 400 companies in the top 2000 list, 86.3% had experience in social contribution activities. This figure is similar to that of 2011 (86/1%).
- Methods of participation were mainly “cash donation” (82.3%), “volunteer activities” (79.1%), and “donation in-kind” (69.9%).
- 16.5% of companies said they have dedicated staff for social contribution activities. Companies participating in social contribution on average had 3.8 CSR staff. The average number of CSR staff in 2011 was 2.3.

Donations in 2012

- Among donation types in 2012, “donation to designated organizations”(44.7%) was highest, followed by “statutory donation” (33.6), and “others” (21.7).
- The following graph shows the percentage of donation areas, where contributions to social welfare purposes were highest (36.4%) followed by community activities (23.8%).

Figure 9 Donation Area



Source: Beautiful Foundation 2013: 32

- Recipients in the social welfare category were the “disabled” and “children” at 68.9%, respectively, followed by “elderly” 61.3%, “youth” 52.9%, “multi-cultural family” 25.6%, “women” 13.0%, “North Korean refugees/North Koreans” 8.4%, and “displaced persons” 7.1%.
- Table 11 shows the average amount of donations according to types of companies (listed and non-listed) and company size (large companies and small and medium enterprises). The average donation of Korean companies were 280,609,000KRW. Large companies donated on an average 6,791,076,000KRW, and SMEs 112,945,000KRW.

Table 11 Average donation amount according to company size and type

Unit: 1000KRW

Total		280609	
According to size	Large companies	6791076	
	SME	112945	
According to type	Listed	Average	1468886
		Large companies	8377808
		SMEs	397125
	Non-listed	Average	119400
		Large companies	3982561
		SMEs	79221

Source: Beautiful Foundation (2013): 24

- Donation methods were as shown in Table 12

Table 12 Donation methods

Self-selected contribution projects	44.3%
Public organizations or aid organizations	28.6%
National or local agencies	11.2%
Own corporate foundation	8.4%
Others	7.6%

Source: Beautiful Foundation 2013: 36

- Sources of finance for CSR were as indicated in Table 13

Table 13 Sources of finance for CSR

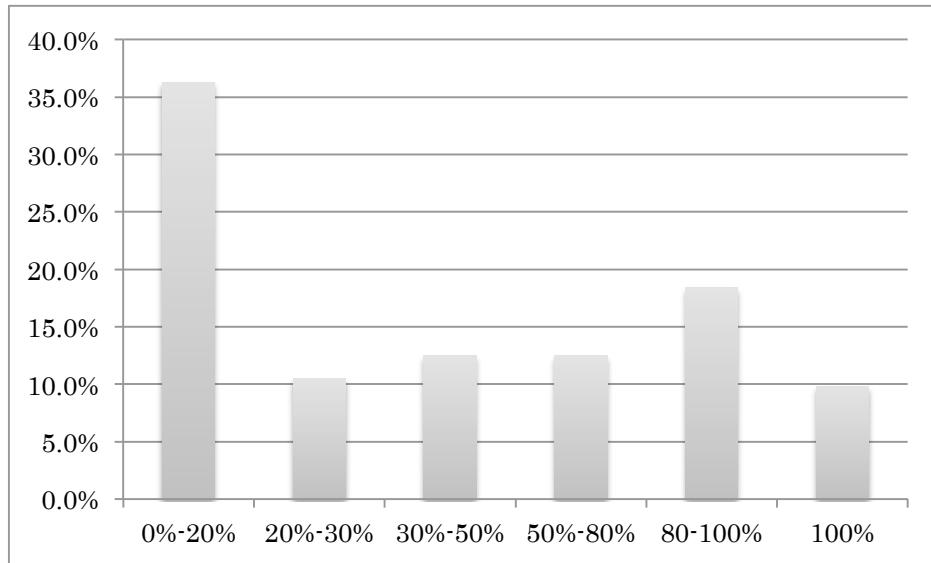
Corporate earnings	77.4%
Employees' donation	53.3%
CEO or executives' donation	28.1%
Profit from events	11.3%
Public good related marketing	7.8%

Source: Beautiful Foundation 2013: 37

Volunteer work in 2012

- Volunteer participation rate of employees on an average was 43.1%, and the highest rate was less than 20% (36.3%).

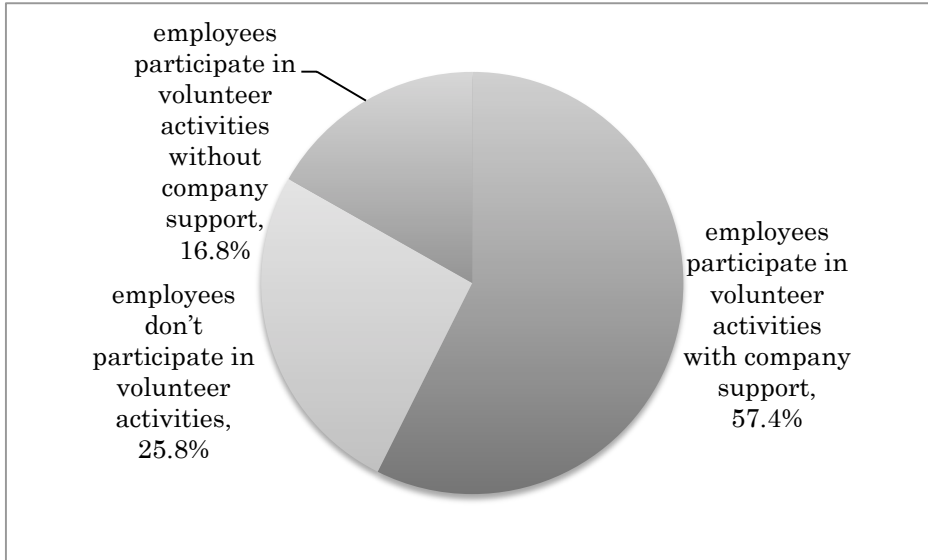
Figure 10 Volunteer participation rate



Source: Beautiful Foundation 2013: 40

- Annual volunteer time per worker was 11.2 hours on an average.
- On employees' participation in volunteer activities, 57.4% answered that their "employees participate in volunteer activities and company provides support", 25.8% "employees don't participate in volunteer activities", 16.8% "employees participate in volunteer activities but the company doesn't provide support."

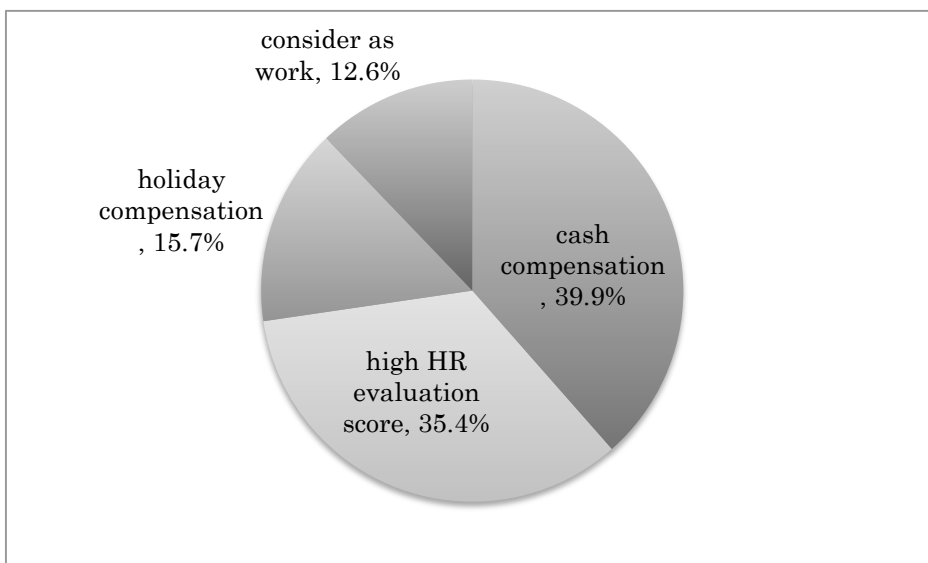
Figure 11 Volunteer participation and company support



Source: Beautiful Foundation 2013:

- Support methods for employees' volunteer activities were "cash compensation" (39.9%), "high HR evaluation score" (35.4%), "holiday compensation" (15.7%), and "consider as work" (12.6%).

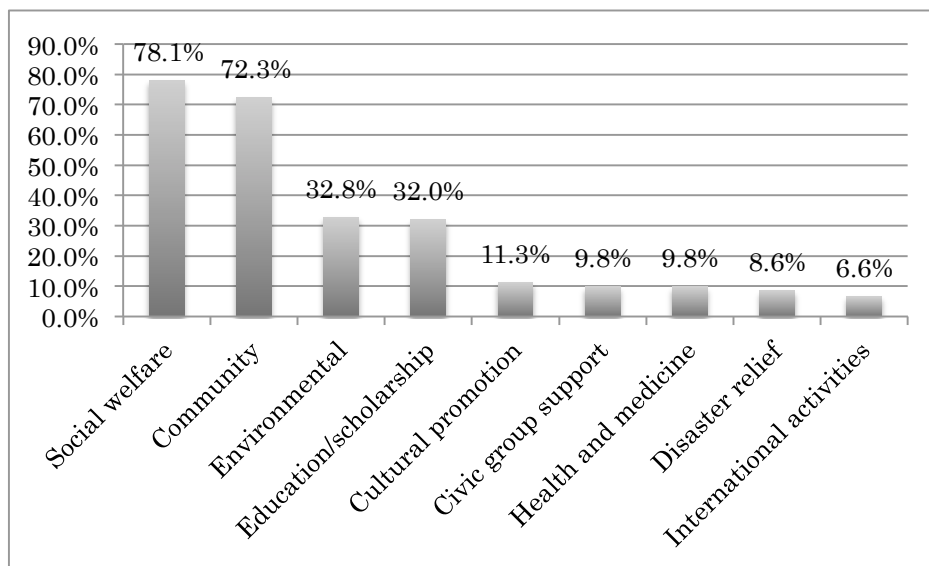
Figure 12 Support methods for employees' volunteer activities



Source: Beautiful Foundation 2013

- The volunteer areas of employees were as follows, with social welfare as the highest area of voluntary activity at 78.1%.

Figure 13 Volunteer areas of employees



Source: Beautiful Foundation 2013: 42

Social enterprises as CSR

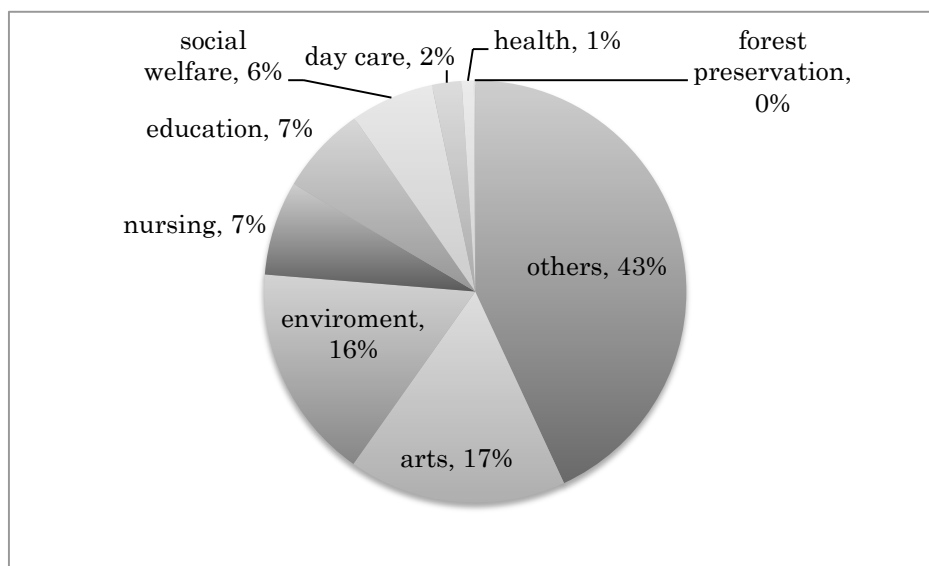
Family-run conglomerates have developed their own social enterprises as a part of their CSR activities. The Samsung group created the Mugunghwa Electronics Corporation, which employs the disabled for creating household appliances, in 1994. POSCO established Poswith in 2008, to create jobs for the disabled. SK Telecom, which has particularly been active in the area of social enterprise, has created ? certified social enterprises that employ the disadvantaged to deliver packed meals to disadvantaged children and the aged (Mendell, 2010). In this sense, the private, for-profit sector is broadening its presence in the social economy.

The Dasomi Foundation, established in 2004 with support from Kyobo Life Insurance Co. Ltd. and the Working Together Foundation, is also an example of how CSR has been channeled to promote the development of social enterprise (OECD 2010: 51). The Dasomi Foundation uses its income from fee-based medical services to cover costs for medical services for low-income users, and employs single mothers.

2-3. Involvement of social enterprises

According to the Social Enterprise Promotion Agency website, the distribution of social enterprises according to the area of activities was as follows.

Figure 14 Distribution of Social Enterprises according to sector



Source: Social Enterprise Promotion Agency

2-4. Impact of social investment

Financing the social economy

Several micro-credit institutions have been established to provide working capital at low interest rates to small enterprises that are not otherwise eligible for bank loans due to lack of collateral, credit history or a stable income stream (Mendell, 2010). In addition, new foundations in the nonprofit sector have emerged since the early 2000s to provide a range of support services to social enterprises, including financial assistance and support for social investment.

Microfinance institutions

Table 14 Microfinance institutions in Korea

Institution	Year of foundation	Origins	
Joyful Union	1999	City Bank and Grameen Bank	
Social Solidarity Bank	2002	Created by university professors, social workers and finance specialists	First non-governmental micro finance institution Issues loans of up to USD 20,000 Original financing from CSR and personal donations, but increasing government support
Hana Hope Foundation	2007	Created by Hana Bank	

Source: Mendell 2010: 25-26

Financial support from nonprofit foundations

Since the 2000s, several new foundations that provide financial and practical support to nonprofit organizations and social enterprises have been established.

Work Together Foundation

The Work Together Foundation was certified by the Ministry of Labor in 2003 as a new foundation model for the purpose of supporting social enterprise. The foundation provides a range of support services including fundraising for start-ups and microcredit, building community development networks, an academy for social entrepreneurs and an institute for policy research (Mendell 2010: 50). Although substantially funded by the government, it is an independent organization operating as one of six regional support agencies for social enterprise.

Korea Foundation for Social Investment (www.ksif.kr)

The Korea Foundation for Social Investment was established in 2007 by the initiative of the Ministry of Budget and Planning, supported by the Ministry of Labor and the Ministry of Health and Social Affairs. While The KSIF is a private foundation in accordance with the civil law, it is closely monitored by the government. The foundation provides the following forms of support: financial support to social enterprises, networking of organizations, promoting social entrepreneurs, organization of training programs to strengthen professionalism and management skills, support for

community projects, research on social enterprises and the social economy etc. (Mendell, 2010: 25).

Korea Social Investment

(<https://www.social-investment.kr:6014/eng/social/seoulsocial.php>)

Korea Social Investment is a foundation founded in December 2012 under the authority of the Ministry of Health and Welfare to manage the Seoul Social Investment Fund. The Seoul Social Investment Fund combines public and private funds from the Seoul Metropolitan Government and private donations in partnership with the Community Chest of Korea to become ‘Asia’s first social investment fund created by collaboration of the public and private sectors’. The fund aims ‘to solve various social problems related with welfare, environment and culture...with less financial burden on the government and the taxpayers by utilizing a proven investment recoverable approach’. Major projects include providing loans and investment for supporting socially weak businesses, interventions for preventing suicide and reducing homelessness, and providing social housing.

2-5. Policy framework (legal systems and government involvement e.g. subsidies)

Various government ministries have actively been involved in the promotion and regulation of social economy organizations as a way of providing welfare services and creating jobs. Prominent examples are: self-sufficiency enterprises, social enterprises, and cooperatives including social cooperatives. The government regulates them with legal and administrative regulations, as well as supports their management, sometimes by providing financial subsidies.

Self-sufficiency enterprises are under the discretion of the Ministry of Health and Welfare in accordance with the National Basic Livelihood Security Act. The National Basic Livelihood Security Act, which was first enacted in 1998, opens a way for the government to delegate the management of self-sufficiency projects, which are intended to help recipients of basic livelihood allowances to graduate from welfare-recipient status by finding jobs or founding businesses (National Basic Livelihood Security Act, revised on 30 December 2014, Article 15, 16). When a self-sufficiency project team is successfully independent from the basic livelihood scheme and transformed into a private business (as a cooperative or for-profit company), it becomes a self-sufficiency enterprise. The government supports self-sufficiency

enterprises by subsidizing business funds and wages, providing loans and leasing public land, and giving them priority in public procurement.

Social enterprises are under the discretion of the Ministry of Employment and Labor in accordance with the Social Enterprise Promotion Act. The Social Enterprise Promotion Act, which was first enacted in 2007, regulates that only those organizations that are certified by the Ministry of Employment and Labor are legally recognized as social enterprises (Social Enterprise Promotion Act, revised on 1 February 2012, Article 7, 19). However, since 2011 central government ministries other than the Ministry of Employment and Labor, as well as metropolitan- and provincial-level governments, are authorized to certify provisionary social enterprises. The government supports social enterprises by subsidizing business funds and wages, giving priority in public procurement, providing business consulting, and building up networks for business and marketing. As the work integration of economically vulnerable groups was originally the main intended purpose of social enterprises, the government initially subsidized the full amount of wages of economically vulnerable employees. However, currently, the wage subsidies have decreased to 90% in the first year of a social enterprise, followed by yearly 10 % decreases in subsidies until the fifth year when subsidies end (Ministry of Employment and Labor, 2014).

Cooperatives are administered by relevant government ministries and local authorities – the Ministry of Strategy and Finance coordinates the administration on cooperatives – in accordance with the Framework Act on Cooperatives. The Framework Act on Cooperatives, which was first enacted in 2012, distinguishes social cooperatives from other cooperatives. The former is nonprofit, so that surplus may not be distributed to their members, whereas the latter may distribute surplus to their members. **Social cooperatives** should be certified by their relevant government ministries, whereas other cooperatives need only to be registered. Regarding government support, the Ministry of Strategy and Finance does not consider direct financial support, which is provided to self-sufficiency enterprises and social enterprises. Instead, emphasizing the principles of autonomy, self-reliance and self-rule, the government provides such indirect help as consulting and education. Cooperatives other than social cooperatives are supported like small- and medium-size companies. However, social cooperatives are not liable to this kind of supports, as they are nonprofit. Therefore, the government gives priority to social cooperatives in public procurement, as it does to social enterprises.

2-6. Current agenda

Recently, Foundation Bills on the Social Economy are under debate in the National Assembly. Both the ruling and opposition parties have drafted their own bills, which are not substantially different from each other. If passed, the Foundation Act on the Social Economy is expected to promote the government's coordination of activities of different social economy organizations.

The Foundations Bills on the Social Economy seek to improve current challenges concerning the coordination of social economy policies among central ministries and between the central and local governments, as well as between the government and the third sector. The bills also seek a way of promoting more grassroots-level, community-based financial systems, such as crowd funding.

2-7. Potential scenarios for the future

As the social economy in Korea has relatively short history, it is too early to predict its future development. The government seems to regard the social economy as a useful tool to create jobs, provide social services, and promote social solidarity in the era of slowing economic growth and an ageing society. However, the short experience of social economy organizations may make it difficult for the third sector autonomously to lead the development of the social economy.

As the policy coordination for the promotion of the social economy is emphasized, the government is focusing on supporting and encouraging social economy organizations, as opposed to directly financing and regulating them.

At the same time, regional and local authorities are getting more proactive in supporting and collaborating with social economy organizations, which may contribute to community building, welfare provision, and possibly the development of the local economy. Therefore, regional and local governments, in cooperation with local third sector organizations, may take stronger leadership in the further development of the social economy.

3. Current status of foundations in the Nonprofit sector

3-1. Background history and fact sheet

While American foundations have developed as independent grant-making foundations in partnership with nonprofit organizations, Korean foundations have

traditionally been characterized by limited partnership with the general nonprofit sector. Rather, they have tended to give money directly to individual beneficiaries, often in the form of scholarships to students.

This reflects the historical and institutional context in which Korean foundations developed under rapid economic development led by authoritarian governments. While chaebols established foundations for evading taxes, the government forced foundations to ‘donate’ funds for promoting government policies (Sohn, 2014). Thus, foundations in Korea have had a limited role in promoting independent nonprofit activities in civil society. Moreover, independent nonprofit organizations in Korea have historically developed as opposition movements against authoritarian rule. This may also be part of the reason for why chaebol foundations, whose interests were intertwined with the governments’, avoided making grants to nonprofit organizations involved in political democratization (Sohn, 2014).

Nevertheless, since the late 1990s, new types of foundations, which are founded by civil society actors and supported by the general public, have been developing.

Historical background

1970s to 1980s

The 1970s and 80s was a time of rapid economic growth in Korea. During this period, family-run conglomerates (*chaebols*), which grew wealthy during state-directed economic development, began to establish their own foundations (Sohn 2014; Park 1996). Most private foundations in Korea were established in this time by large corporations. On the one hand, foundations were seen as a way for business elites to give back their accumulated wealth to society. On the other hand, corporate foundations also served as a way for conglomerates to evade inheritance taxes and maintain their assets (Park 1996; Sohn 2014; Lee 2012). Corporate foundations are affiliates of the parent company, and have been tightly managed and controlled by the founder or the founder’s family, which shows a strong relationship between the parent company and its affiliate foundation (Park, 1996).

1980s to 1990s

The 1980s to early 1990s was marked by strong regulation of corporate foundations by authoritarian governments. In 1980, the Social Services Fund Act was established, which pushed chaebols to donate funds as quasi-taxes for social welfare purposes (Sohn 2014; Sung et al. 1997). In 1984, the Inheritance and Gift Tax was

amended in order to prevent tax exemptions by corporate foundations (Sohn, 2014). While chaebols paid these ‘quasi-taxes’ to protect their business interests from state intervention, the state utilized foundations for their political ends (Sohn, 2014). Thus, a close relationship between the government and corporate foundations was established based on their respective economic and political interests.

Late 1990s~

The IMF crisis of 1997 followed by government turnover and the election of President Kim Dae Jung in 1998 led to a new era in the development of the Korean nonprofit sector. The new government promoted nonprofit organizations as partners of public policy as a way to tackle unemployment and social exclusion in the wake of the economic crisis, as well as to respond to diversifying social goals such as environmental protection, community development, gender equality and human rights (Sohn 2014; Mendell 2010).

During this period, non-traditional foundations began to emerge in Korea, which gained their legitimacy from individual donations and public support, and focused on a wide range of issues including social development and welfare.

The Community Chest of Korea, a non-government organization specializing in fund raising and fund allocation, was established in 1998 under a special law called the Community Chest of Korea Act. The ‘Social Service Fund’ was transferred to the Community Chest of Korea.

In 2000, the Beautiful Foundation was established by thenonprofit sector as a national community foundation. The purpose of the foundation is to promote philanthropy and a culture of giving among the Korean general public. According to Sohn, ‘The BF came to represent a paradigm shift’ (2014: 34) by spreading the idea of philanthropy as a voluntary, civic activity by ordinary citizens.

Subsequently, new ‘public foundations’ and ‘quasi-community foundations’ were established, such as the Korea Human Rights Foundation (1999), the Korea Foundation for Women (1999), the Korea Green Foundation (2002), and Work Together Foundation (2003). The founders of these new foundations were civil society leaders as opposed to company owners (Sohn, 2014).

3-2. Changing contexts and trends in recent years

Legal changes

The Law on Charitable Solicitation and Usage enacted in 2006 changed the 1951

‘Prohibition on Charitable Solicitation’ law, which prohibited all private fundraising. Under the previous law, only admitted government agencies and local governments could be fundraisers (Sohn, 2014).

In addition, the government initiated the ‘Public Corporation Self-Reporting System’ in 2009 to promote the transparency of Public Corporations to the public, and the Association of Fundraisers was established in 2014 to ensure ethical and transparent fundraising.

3-3. Fundamental nature of foundations i.e. independent, corporate, or community based, and their scales

The Beautiful Foundation (2012a) conducted research on public utility foundations in the private sector between October 2011 and February 2012. There were 4,582 public utility foundations registered to the government. 193 (4.2%) of these were social welfare foundations.

Table 15 Number of foundations

	Frequency	%
Total number of foundations	4,583	100%
Corporate foundations	4,389	95.80%
Social welfare foundations	193	4.20%

Source: Beautiful Foundation (2012a)

Among the 4,582 foundations, the authors excluded government-funded foundations and those whose founders were not clear. In this way, the authors selected 1,190 public utility foundations for the study.

Table 16 below shows the number of foundations according to their income scale. There were 332 (34.5%) foundations with an annual income of 0.1-0.5 billion KRW, followed by those with incomes of less than 0.1 billion KRW (28.2%).

Table 16 Number of public utility foundations by income scale

Annual income (KRW)	Frequency	Per cent
Below 0.1 Bill	271	28.2
0.1-0.5 Bill	332	34.5
0.5-1.0 Bill	104	10.8
1.0-10.0 Bill	206	21.4
10.0 Bill+	49	5.1
Total	962	100.0

Source: Beautiful Foundation (2012a)

3-4. Activities and tools

Table 17 shows the numbers of public utility foundations according to their activity area. Foundations that give scholarships were by far the most numerous at 67.8%. This was followed by social welfare foundations (13.4%) and those that engage in cultural activities (6.9%).

Table 17 Activity areas of public utility foundations

Activity area	Frequency	Per cent
Scholarship	783	67.8
Culture	80	6.9
Education	13	1.1
Social welfare	155	13.4
Medical	17	1.5
Others	107	9.3
Total	1,155	100.0

Source: Beautiful Foundation (2012a)

3-5. Funding scales and sources

Data not accessible

3-6. Roles of foundations in Nonprofit sector in Korea

Since the 2000s, new types of foundations led by civil society leaders who are independent of the government or business sector have been developing. These public foundations advocate for the poor and socially excluded, as well as for a wide range of civic issues such as human rights, environmental protection, and women's empowerment (Mendell 2010; Sohn 2014).

In addition, public foundations partner with the wider nonprofit sector, and contribute to fundraising and fund allocation for nonprofit organizations.

Table 18 New public foundations

	Founding year	Origins and purpose	Activities
Community Chest of Korea http://eng.chest.or.kr/index.jsp	1998	<ul style="list-style-type: none"> • Community Chest of Korea Act • Manages 'Social Service Fund' 	<ul style="list-style-type: none"> • Fund-raising and fund allocation
The Beautiful Foundation http://www.beautifulund.org/eng/index.php	2000	<ul style="list-style-type: none"> • Community foundation model 	<ul style="list-style-type: none"> • Promote charitable giving • Provide financial support to NPOs and social enterprise
Korea Foundation for Women http://www.womenfund.or.kr/eng	1999	<ul style="list-style-type: none"> • Empowering women and creating a gender-equal society 	<ul style="list-style-type: none"> • Fund-raising and grant-making for women's empowerment including such areas as women's health, support for immigrant women, and financial assistance to disadvantaged women
Work Together Foundation http://eng.hamkke.org	2003	<ul style="list-style-type: none"> • Support social enterprises • Job-creation • Social inclusion 	<ul style="list-style-type: none"> • Fundraising for start-ups, microcredit • Building community • Developing networks • Academy for social entrepreneurs • Institute for policy research
Korean Foundation for Social Investment https://www.social-investment.kr:6014/eng/index.php	2007	<ul style="list-style-type: none"> • Support social enterprises 	<ul style="list-style-type: none"> • Financial support • Networking of organizations • Promoting social entrepreneurs • Training programs • Support for community projects • Research

Source: Mendell, 2010, modified by the author

3-7. Networks and intermediaries for foundations

Data not accessible

3-8. Current agenda

Data not accessible

3-9. Potential scenarios for the future

Data not accessible

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