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The development of the social economy in the welfare mix: Political dynamics between the state and the third sector[☆]

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ABSTRACT

This paper explores how social economy organizations (SEOs) position themselves in the welfare mix without being occupied by the state or market, especially in a context where they have not yet taken firm root in society. Focusing on the South Korean case, this paper analyzes the developmental path of the social economy in light of two factors: the degree of state involvement in the social economy, and SEOs' political power. Based on these two factors, we develop four ideal types of the social economy: (1) a quasi-governmental social economy, (2) government–SEO partnership, (3) a marketized social economy, and (4) an autonomous social economy. The Korean case shows a path where politically strong SEOs and a strong interventionist state incubate the social economy. However, it also presents SEOs' struggle to maintain their political influence to develop as an independent sector, without being occupied by the government or market.

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1. Introduction

In the context of welfare state recalibration and transformation, social economy organizations (SEOs) have been (re)discovered as an important part of the welfare mix alongside the state and the market. Many countries, including those outside of Europe and North America, have been promoting policies to support and develop SEOs such as cooperatives, mutual aid societies and social enterprises, as a way to promote work integration and deliver social services.

However, SEOs occupy a vulnerable position in relation to both state and market spheres. In a publicly managed

social economy, SEOs may be patronized by the state to become quasi-governmental organizations. In a more privatized system, SEOs may become no more than inferior rivals to commercial businesses in the competitive market (Evers & Laville, 2004). Moreover, in countries, where the spontaneous development of the social economy is traditionally weak, SEOs may not be an already existing alternative to the state or the market. Then, how can SEOs position themselves in the welfare mix without being completely occupied by the state and the market?

To answer this question, this paper focuses on the development of the social economy in South Korea (hereafter, Korea). Korea attracts increasing attention as a non-Western context in which the social economy is being actively promoted through public policy (Bidet & Eum, 2011). However, its SEOs have not historically developed as capable policy implementers or business managers. Rather, third sector organizations in Korea are usually regarded either as political advocates for democratization or sub-

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ordinates of the state in welfare delivery (Kim & Hwang, 2002). This paper explores how the dynamics between (1) the degree of the state's involvement in the social economy, and (2) the political power of SEOs have altered the level of their independence from the state and the market.

By exploring the Korean case, this paper seeks to present a typology of the social economy, which helps us to understand the different trajectories of social economy development. The case of Korea shows a distinctive path of social economy development in contrast to the cases of North America or Western Europe in which social entrepreneurs and cooperatives have historically emerged voluntarily and independently from the state. Therefore, tracing the trajectory of social economy development in Korea highlights the potential of our typology to contribute to comparative research on the developmental paths and characteristics of the social economy across different countries.

2. Method

Through a case study of the development of the social economy in Korea this paper attempts to formulate a theoretical model of social economy development. A case study helps find the causal mechanisms of the researched case, and refine existing propositions or even find new causal factors (George & Bennett, 2004, p. 7).

This study takes an institutional approach by identifying the ideas and activities of relevant policy actors and the institutional contexts surrounding policy changes (Thelen & Steinmo, 1992). Actors interpret and articulate policy problems and solutions in the actual policy process (Yanow, 2000, p. 11), while actors' activities are constrained by the relevant institutional context (Thelen & Steinmo, 1992, p. 2). We identify that the formation and transformation of the social economy in Korea are results of interactions between the state (which seeks an efficient way of job creation and social service provision) and SEOs (which promote solidaristic community movements). We then formulate a typology of the social economy by applying general theoretical concepts to the interactions between the state and SEOs.

For this study, we analyze documents regarding the policy debates concerning the social economy in Korea. In collecting documents, we are concerned with their representativeness (whether the documents represent the views of policy actors) and credibility (whether statements in documents are trustworthy). In order to promote representativeness, we use official documents published by both the government and SEOs involved in the policymaking process, including bills and laws relating to the social economy, records of debate sessions and public hearings in the National Assembly, guidelines and press releases issued by relevant ministries, written opinions and forum papers of SEOs, as well as articles and books written by participants in the policymaking process and almanacs and official history books of relevant public and private institutions, such as *50 Year History of Agricultural Co-operatives in Korea*, *Korean Credit Union Movement 50th Anniversary Book*, and *National Movement to Overcome Unemployment White Paper 1998–2002*. We also refer to documents written by social

economy experts in Korea, and newspaper articles on relevant policy events. In order to promote credibility, we have cross-checked statements in documents: documents from a particular group are compared with those from other groups.

3. Ideal types of the social economy

3.1. The social economy

SEOs can be defined as third sector organizations that engage in the production of goods and services for the mutual benefit of stakeholders, including cooperative members, employees, community residents and consumers, or for the general public, rather than for maximizing individual shareholders' profits. The social economy refers to the economy of goods and service production by such third sector organizations. SEOs range from traditional cooperatives and mutuals to more recent multi-stakeholder cooperatives and various forms of social enterprises which have emerged in response to activation policies in the context of welfare state recalibration (Defourny, Hulgård, & Pestoff, 2014).

Various scholars emphasize the hybrid nature of SEOs, which operate under the influence of different institutional logics (Evers & Laville, 2004). According to Evers (2008, p. 280), the 'special element' of the third sector is 'deliberate association and social solidarity', which co-exist with the logics of the state and market. These features distinguish SEOs as third sector organizations from the state, in which membership is usually non-voluntary, as well as from market actors, which pursue individual profit-maximization. However, the associational and solidarity principles of SEOs face continuous challenges from the competing logics of the state and the market.

While the previous literature has tended to focus on the coexistence of competing institutional logics *within* hybrid SEOs, we focus on the *conditioning factors* that influence the ability of SEOs to realize their associational and solidarity principles against competing institutional principles. By focusing on the system of interaction among different sectorial actors, rather than on the internal structure of particular organizations, we seek to understand the conditions for, as well as the dynamics of changes in, the ability of SEOs to realize their associational and solidarity features.

For this purpose, we focus on two factors: (1) the degree of the state's involvement in the social economy, and (2) SEOs' political power. These two factors affect how SEOs are positioned against the state, as well as against the market since these two factors affect what space remains for the commercial market to occupy in the welfare mix. The social economy will be positioned more in the public sector as a result of the involvement of the state in the direct formation and/or designation of SEOs as policy partners, and more in the private sector when the state withdraws from direct involvement in specific SEOs and rather acts as a general regulator of societal welfare providers. Depending on their political power, SEOs can be a major and autonomous actor, or a marginalized and vulnerable one in relation to the state and the market. Based on these two factors, we categorize the social economy into four ideal types: (1) a

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