



iCOOP KOREA's Co-operation with Social Economy Sector

2014 Inaugural Meeting of the Global Social Economy Forum (GSEF 2014)
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paper presented at iCOOP Session:
The Meaning and Practicies of CO-operative 6th principle "Cooperation
among Co-operatives"

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1. Current status of Korean economy and social economy sector

1) The emergence of social economy in Korea

Although Korea has a continuous surplus current account for 31 months, the surplus is “recession surplus” with the depressed domestic consumption. The household income has not increased nevertheless of short-term government policies, the consumption level is frozen.¹⁾ Consumer Sentiment Index which shows consumers’ perception of economic situation is exacerbated as right after the Sewol Ferry accident.²⁾

The number of contract workers soars reaching 6 million for the first time. Their payment increases only 1.8% (1,453,000 KRW) compared to full-time workers’ 2.3%. (2,604,000 KRW)³⁾ The middle-class’s economic condition of has worsened for 20 years and their ratio dropped to 67.5% from 75.4%. The number of self-employed person also increased even 62% of them went

1) Recession surplus plus decreasing export: corporates scream. 2014. 10. 30. News Tomato.

2) Sewol Ferry sinking accident refers to the overthrown and sinking of Sewol Ferry of Cheonghaejin Shipping around Jodo-myeon, Jindo-gun, Jeollanam-do coast in AM 8:48 April 16, 2014. Total 295 out of 476 passengers died and 9 were still missing including many Ansan Danwon high school students on their way to the field trip to Jeju Island. More than 200 days have to pass to have the agreement about Sewol Ferry Special Act between victim families and the representatives of ruling and opposition party were to made in October 31.

3) Frozen consumption sentiment and lowest employment prospect, “depressive economic indicator”, 2014. 10. 29. Kyunghyang Shinmoon.

bankrupt in 3 years. 85.1% of SME revenue is from subcontracting work of large firms. The growth rate of household income is only 1.7% while that of average corporate income is 18.6%. There are 3 million working-poor and thousands house-poor comprising 20% of total population. The household balance of lowest 20% is deficit from 2003.

Korea need a new solution. 2013 Mckinsey Report emphasized that Korea needs a new growth engine and has to find a new development path for benefitting all citizens and without it there will be no growth for Korean society.⁴⁾ In responding to the social issues of social polarization, collapsed middle class, deepening social inclusion and unemployment, conflicts between generations and community disintegration etc, interests about social economy have flourished. The unanimous pass of Framework Act on Cooperatives can be understood in the light of this situation.

2) Korean social economy Overview

In Korean context, social economy organizations usually refer to cooperative, social enterprise, village company, and self-support enterprise. In addition to these organizations, Seoul government comprehensibly puts “private or public corporation whose main aim is realization of social value such as severely handicapped person’s production facilities, sharing economy, fair-trade” into a social economy sector. The purpose of this broad notion might be to support building a social economy ecosystem where various stakeholders participate in production and reproduction in virtuous

4) CHO Wooseok, “Mckinsey report and Korean social economy”, Hope Institute Homepage.

circles.

Table 2. Social Economy Concept and Definition

	social enterprise	community enterprise	co-operative
Relevant Act	Social Enterprise Promotion Act (2007.7.1.)	Village Company Promotion Instruction	Framework Act on Cooperatives (2012.12.1.)
Definition	“social enterprise” means an entity certified as prescribed in Article 7 to be the one that pursues a social objective aimed at enhancing the quality of life of community residents by providing vulnerable social groups with social services or job opportunities or by contributing to the communities while conducting its business activities, such as the manufacture or sale of goods and services;	“village company” is a village-unit corporation pursuing job creations and vitalization of regional community by actively utilizing human and physical resources scattered around regional community, such as local culture, natural resources, etc.	“cooperative” means a business organization that intends to enhance its partners' rights and interests, thereby contributing to local communities by being engaged in the cooperative purchasing, production, sales, and provision of goods or services.
relevant ministry	Ministry of Employment and Labor	Ministry of Security and Public Administration	Ministry of Strategy and Finance

source: Seoul Municipal Government, Department of Social Economy, 2014.

Co-operatives and social enterprises are rapidly expanding sectors in Korea, particularly in the deepening economic downturn. The average growth rate of social enterprise is 30.2% (as of 2011, 4th year

after the enactment) while the growth rate of venture company is 6.1%.⁵⁾
 Total 5,601 co-ops were established during two years. (2012-2014)

Table 3. Total Social Economy Sector in Seoul: 1,938 organization (Sep. 2014)

Total	Social Enterprise			Village Company	Cooperative
	total	community-based	certified		
1,938	333	114	219	124	1,481

Source: Seoul Municipal Government, Department of Social Economy, 2014.

Table 4. Co-operatives in Korea (Dec. 13, 2012)

	members	organizations	asset	revenue	
			(hundred million KRW)		
agriculture co-ops	2,401,928	1,157	1,110,383	2014. 8.	
fishery co-ops	158,311	92	312,885		
credit co-ops	5,819,000	942	566,684		
community credit co-ops	17,590,000	1,402	1,108,100		
forestry co-ops	491,000	142		2,431	2012
tobacco grower co-ops	-	15	-		
SME co-ops	670,872	966	-	2014. 9.	
consumer co-ops ⁶⁾	921,476	185		10,231	
coops by 2013 Act	-		-	2013. 11.	
Total	28,052,587	7,904	3,110,714		

Note: 1) Consumer co-ops statistics include statistics from iCOOP, Hansalim, Dure, Happy Coops and University Cooperative Association. The number of Health and welfare Consumer Cooperatives is estimated to be 20 with total 30,000 members.

2) Only refer to the co-ops that registered during from Dec. 2012 to Sep. 2014.

Source: Statistics from National Agricultural Cooperative Federation, National Federation of Fisheries Cooperatives, Community Credit Cooperatives, National Forestry Cooperative Federation, KTGO, K-BIZ Cooperative, Ministry of Strategy and Finance, Department of Social Economy.

5) CHO Wooseok, "Mckinsey report and Korean social economy", Hope Institute Homepage.

Among social economy sector, two distinctive types of co-operatives can be identified. The first group refers the traditional co-ops founded by Special Act including agricultural, fishery, forestry and consumer co-ops. The Second group includes newly established co-ops based on the Framework Act on Cooperatives (2013).

As shown in the Table 3, co-ops' aggregated revenue is 313 trillion KRW (as of 2012) and the size of Nonghyup and Community Credit Coop is among the 10th. But social recognition about co-operatives and co-ops' social contribution is very under-developed. One of the reasons behind this is co-ops' activities are mostly confined to members' socio-economic status enhancement and their voices are mostly about the operation of individual co-op.⁷⁾

The size of Korean consumer co-ops are relatively small only amount to 3.7% of total household of 17,950,000 households. The focus business area of co-ops is eco-friendly agricultural products' market is estimated to be 3.8 trillion KRW⁸⁾ of which 18.7% belongs to co-ops. However, recent development rate is rapid reaching by 857 billion KRW in 2013 through 20-30% growth a year. Also, its membership reaches 0.77 million in 2013 from 0.33 million household in 2008. Consumer co-ops begin to attract membership little by little and actively engage in community activities while try to be a model co-operative to the newly established co-ops.

6) 『2014 iCOOP KOREA director course materials』 based on National Consumer Co-operative Council survey, 2014.

7) KIM Kitae, KIM yeonmin and KIM Wonkyung, 2010, "Current Status of Korean Co-operatives and the need for Co-operative Act".

8) Asia Today, <http://www.asiatoday.co.kr/news/view.asp?seq=883607>

Table 5. Korean Consumer Co-operatives Associations (Dec. 2013)⁹⁾

		iCOOP	Hansalim	Dure	Happy	Total
member co-ops	2012	74	20	27	5	126
	2013	77	21	28	10	136
	growth rate	4.0%	5.0%	4%	100%	5.6%
members	2012	170,127 (129,850)	346,500	127,380	27,159	671,166
	2013	194,856 (156,666)	410,211	142,016	30,170	777,253
	growth rate	14.5% (20.7%)	18.4%	11.5%	11.1%	15.8%
revenue (hundred million)	2012	3,449	2,563	923	167	7,102
	2013	4,279	3,106	1,015	170	8,570
	growth rate	24.1%	21.2%	10.0%	1.6%	20.7%

Note: iCOOP KOREA's () indicates membership dues members.

Source: 『2014 iCOOP KOREA director course materials』 based on the 2014 survey of National Consumer Cooperative Council.

2. iCOOP KOREA's cooperation among co-operatives

1) Current status of iCOOP KOREA

iCOOP KOREA started its operation in 1997 as six primary co-operatives worked together for joint logistics to overcome difficulties in individual businesses. As of September 2014, it is the

9) 『2014 iCOOP KOREA director course materials』, p.40.

apex association of nation-wide 79 primary co-ops and develops mutually helping relationship with over 2,600 producers.

By conducting its own businesses iCOOP KOREA contributes to the development of social economy. As a consumers' co-operatives to respond to the members' need for healthy foods, its activities include joint purchasing of eco-friendly agricultural products and non-additivities, the development of alternative foods and the operation of consumers' own certification system and reliable food security system.

iCOOP KOREA experiences significant growth after 2006 with the launching of offline shop. As of 2013, total 194,856 members (membership dues members 150,000) or 1% of total Korean household participate in iCOOP KOREA. Its total revenue is highest among consumer co-ops of 427.9 billion KRW. Its membership growth rate during 2003-2013 is 17 times and revenue growth rate is 15 times. With its ceaseless consumption growth, it helps to maintain eco-friendly agriculture production sites.

Table 6. The Growth Trend of iCOOP KOREA

		1st phase 2003	2nd phase 2006	3rd phase 2007-2011	4th phase 2012-2016
				2010	2013
member co-ops		42	62	77	78
members	-	11,645	20,097	118,824	194,856
	members hip dues			85,116	156,666
shops	total	-	2	91	141
business	total	3	6	19	33

branch					
revenue	total (billion KRW)	28.7 billion	76.0	263.28	427.0

Source: 『2014 iCOOP KOREA director course 13th education materials』 p.101. adapted from 『2014 iCOOP KOREA's general meeting materials』.

In addition to practice ethical consumption, members also participate in various activities to address social issues. It includes Protecting Korean Wheat and Rice movement, eco-friendly school lunch promotion, Anti-BSE beef import movement (the Candle Strike), Ramsar convention through rice paddy bio-diversity investigation, water publicness raising movement, Anti-nuclear movement and support the military sex slavery victims and the marginalized, among others.

2) Activities for promoting co-ops

The slogan of iCOOP KOREA's fourth phase (2012-2016) is "Toward social solidarity and sharing economy" and the main goal for achieving it is promotion of co-operatives, social economy and community invigorating.

▪ Co-operative Law Enactment movement and networking

iCOOP KOREA has actively introduced various experiences of worldwide co-ops to social economy sector, media, and government. It also actively support the Co-operative Law enactment movement from 2011 and conduct policy advocacy activities including recommendation to government. It is one of the member of Korean Co-operatives and Social Economy Solidarity Council and hosted successful events in "2012 Year of

Co-operatives” with other organizations. iCOOP Consumer Activities and primary co-ops also involved in local and regional council networking.

▪ **Support co-ops and build ecosystem through building co-op support center**

Although co-ops seized the spotlight in 2013 with the Co-operative Law, only 50% of 3,300 registered co-ops are in operation as of end of 2013. iCOOP KOREA established iCOOP Co-operative Support Center in February 2013 to provide education and consultation to new co-ops. The Center was established as a social co-operative that employees invest and operate thus contributes to the expansion of labor ownership and introduces a new co-operative model to the employees and member co-ops.¹⁰⁾

▪ **Social investment fund for capitalization of new co-ops**

It is well-established fact that co-op finance is essential in overcoming the capitalization problem in food processing industries et al. However, it is not allowed for consumer co-op to provide financial services and existing financial co-op like Nonghyup(agricultural credit coop), Sinhyup(Credit Cooperative), Community Credit operated in the same way of conventional banks. There is even as case of iCOOP KOREA's CMS application to Nonghyup Bank was rejected but that of conventional Kookmin Bank was allowed. Moreover, mutual aid activities for helping members's preparation for the future such as medical costs are not allowed in Korea. Thus it is a major issue impeding the cooperation among co-operatives because even iCOOP UNION has to pay for the business tax to support iCOOP Association of Producer Groups.¹¹⁾

10) 『2014 1st national representative meeting materials』, p.68.

In current situation, the members' investment is not sufficient for the launching of new business. iCOOP KOREA acts as a mediator of 6 million KRW worth of social investment fund which was made by Seoul Social Investment Fund (3 million KRW), iCOOP Business Association (3 million KRW) and lend management money to new co-ops including consumer co-op's shop opening.

▪ **collaboration with universities for co-operator cultivation**

There is no particular education program about co-operatives in Korea thus little contribution to cultivate help managers and researchers. As the development of co-operative leader is critical in co-operative movement, iCOOP started to build develop trust with Sungkonghoe University in industrial-educational cooperation, internship opportunity for undergradates etc. In 2010 iCOOP KOREA provided annual budget of 0.5 million KRW for 5 years (2010-2014) and another 0.6 million KRW (2015-2020) to Sungkonghoe Univ. for founding Co-operative Management course in the Graduate School. iCOOP has started to provide another scholarship program in Hanshin Univ. as well.

▪ **international cooperation and knowledge sharing for international solidarity**

After joining ICA in 2009 first among Korean consumer co-ops, iCOOP KOREA is active in international cooperation and collaboration adding to the Korean consumer co-ops' long tradition of exchanging experiences of Japanese consumer co-ops. It has participated in ICA regular meetings, ICA-AP meeting and seminars and regularly made field study tour of members, managers, and

11) 2013 International Social Economy Forum 『iCOOP Sessstion materials』, p.60.

employees. It learn the history and best practices from UK, France, Germany, Spain, Italy, Sweden, Finland, Denmark, USA, and Canada.

Information and knowledge sharing is also prominent. iCOOP Co-operative Support Center and iCOOP Co-operative Institute periodically (usually once a month) introduce recent development of overseas co-operative movement and disseminate information about iCOOP's practices to the overseas organizations.

3) Solidarity activities for social economy sector

- **solidarity with healthcare consumer co-ops for medical support**

iCOOP KOREA practices the co-operative value of solidarity and caring for others through its active support to the less-privileged. With the cooperation with Mindelle healthcare co-op, Ansan healthcare co-op, and Incheon Peace healthcare co-ops, it allocates 0.1 billion KRW to the foreign and domestic workers in need of medical care and supports them. (32 cases up to September 2013)

- **cooperation with self-support organizations through logistics network**

iCOOP KOREA increased the efficiency of logistics by developing nation-wide logistics in 1997 and conduction joint logistics from 2000. As a way of contributing to the society, it allows "Mutually Good Shops" (self-support enterprise) to use its logistics infra from 2013. It also handle the orders of 14 branches and five self-support organizations and provide 762 eco-friendly processing food, agricultural and fishery, dairy products in wholesale price which

helps them lower the production costs.¹²⁾ iCOOP KOREA also involved in the Haru-market project of Seoul Social Economy Network.

▪ **Ethical consumption movement and Fair-trade**

The fair-trade revenue of iCOOP KOREA is up to 20% of total Korean fair-trade movement. After making a Fair-trade Committee in 2006, it creates 902,000,000 KRW worth fair-trade fund by selling nine fair-trade products from six countries in 2010 and supports fair-trade producers' self-help and development using part of the fund (48,600,000 KRW) iCOOP also opened a muscovado factory in Panay Island of Philippines in December 2011. The factory was made from donations from iCOOP members, employees and producers. (160,000,000 KRW) iCOOP KOREA also launched 2013 Philippines typhoon damage support fundraising, Philippines Panay fair travel program and school scholarship program for the Philippines community development. Currently its main focus is community center building project near the muscovado factory for the community members. In addition to fair-trade activities, it vigorously seek to spread the fair-trade movement by involving in Fair-trade City Seoul project, Fair-trade shop earth village project and holding education and events regarding fair-trade with the

Table 7. Fairtrade Revenue of iCOOP KOREA (hundred million KRW)

2008	2009	2010	2011	2012	2013	total (aggregated)
4.5	13	18.7	22	31	34.2	123.4
growth rate	180%	46%	17%	40%	10%	

Source: 『2014 1st national representative meeting materials』, p.68.

12) 2013 International Social Economy Forum 『iCOOP Sesssion materials』, p.60.

participation of local primary co-ops.

▪ **Seed Foundation's social practice and sharing**

The primary co-ops of iCOOP KOREA practice concern for community and caring for others by sharing 1% of its total revenue from the start. iCOOP KOREA found iCOOP Seed Foundation to support social economy organizations, strengthen its community activities and expand sharing culture in 2008. The fund is total 939,562,985 KRW which is gathered from members' voluntary donations and regularly support. Total 1,076 members participated in the Foundation. The Seed Foundation developed to a robust sharing foundation with over 1,000 individual supporters and iCOOP's corporate supporter in only 3 years.¹³⁾

3. with a vision of “Co-operative Community”

Alexander Laidlaw introduced a notion of “the co-operative community” as one of four priority areas in fifth chapter of his report. He said that “The great objective of co-operatives should be to build community, create villages, many hundreds of them, within the larger urban setting. (p.130)” It is the same as “co-operative ecosystem”, the dream of iCOOP KOREA.

iCOOP KOREA is based on the local community from the beginning. Thus, its resources are fairly distributed around the Korea. Though its centralized trade system, its main human resources are everywhere in Korea. We know that the power of co-operative is not the “capital” but the “people”. Now, we are to

13) 『2014 1st national representative meeting materials』, p.65.

reconstruct and connect this power and use it as internal energy. By doing so, we should build various local education, welfare, culture, finance, and health co-operatives. As once Laidlaw pointed out, it will be good to have as many co-operatives as to significantly influence our daily lives even not dominate.

Now, Korean co-operative movement is on a new track. While the Co-operative Fundamental Act was taken effect, co-operatives still face the problem of the lack of seed money and capitalization, investment and taxation, the authorities' discouraging attitude, and public's conventional and biased perception etc. But we have the "people". The people might be the iCOOP KOREA's strength as well and investment to them is critical. The people will show various seeds for social economy sector including housing, financial, healthcare, the elderly and children care. We would like to contribute to the social economy development by human resource development.

Furthermore, as a consumer co-operative, iCOOP KOREA has many connection with other co-operatives or social economy organization especially its business and activity areas. We would like to contribute to social economy development using its unique relationship with other actor. The market access is important in every social economy including co-operatives. Currently, small and medium sized enterprises are subordinated to the supply chain of large retail mart as they fail to build their own trade system and market. Social economy organizations confront the same problem.¹⁴⁾ iCOOP KOREA will be rich soil for the social economy

14) SHIN Sungsik, "A thought on the Co-operative Ecosystem", 『Co-operative Journal』 2013 Spring, 2013.

organizations through constructive cooperation and solidarity with diverse social economy sector.

▪ **Community Center and Cooperation House Building: people and culture**

iCOOP KOREA's "local center" and "house for cooperation" building should be understood in the above-mentioned sense. It continuously tries to build those centers with the power of members. Starting from Haenam Center in 2010, it opened Namwon Center in 2011, Hanbat Center and Sangju Center in 2012, and Daejeon Center and Bitgoeul Center in 2013. Each center endeavors to promote consumer co-operative and community activities with various cultural programs which meets members' cultural need. Total 536 events and education program were held with the participation of 15,544 members and citizens in 2013. These centers are becoming the local cultural and self-governing space and used as a room for cooperation and solidarity among co-operatives.¹⁵⁾ It will be the foundation for social economy ecosystem.

▪ **Cluster Building for social economy ecosystem: cooperation and community invigoration**

iCOOP KOREA also opens eco-friendly organic food cluster in Jeollanam-do Gujye-gun and Chungcheongbuk-do Goesan-gun. Both clusters incorporate Korean wheat processing facilities, eco-friendly fruit farms, eco village and farm, wild plants and herb farm, and cultural facilities including school, clinics, theater, restaurant, guesthouse, and experience zone around the food-processing complex. Gurye Natral Dream Park (149.336m²) opened in April

15) 『2014 1st national representative meeting materials』, p.73.

2013 and Goesan Cluster Complex (6,132,250m², four times bigger than Gurye) is under the construction. Clusters are developed to facilitate our trade system and enhance the effective production with integrating R&D for product item development and quality control. It is expected to lower the price of processed foods. Furthermore, it is assumed to create employment in the two areas, both depopulated areas and invigorate local economy as many urban consumers visit there with the cooperation with many local organizations.

iCOOP KOREA plans to open a “Social Economy Museum (tentative)” to provide exhibitions and trading opportunities to social economy enterprises. Gurye Natural Dream Park is already popular as the local residents’ theater visiting and children’s field trip course. The clusters made by cooperation among co-operatives will be a living school for understanding the social economy ecosystem.

**iCOOP KOREA's Cooperation with the
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