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# Abstract

## Current States of Individual Enterprises in Korea and Policy Task

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An individual company, or sole proprietorship is a type of business entity that is owned and run by one individual with no legal distinction between the owner and the business. The owner receives all profits and has unlimited responsibility for all losses and debts.

Although individual enterprise is a type of organization that accounts for the largest share of enterprises, the ratio of individual enterprises is likely to decline in accordance with economic development. Even in Korea, the number of individual enterprises, which represents at least 80% of the entire business community, is currently on the de-

crease. As most of the small individual enterprises suffer from weak competitiveness, they have been recognized as entities under decline; for this reason, the enterprises have been drawing little attention for academic research or policy despite their high quantitative proportion.

As the Korean economy enters the low-growth phase, there is growing interest in the policy for individual enterprises. The number of individual companies created by retired middle-aged and elderly people is on the rise while individual enterprises are increasingly going out of business due to the excessive competition. However, the statistics and researches on the current states of individual companies are yet insufficient.

Therefore, this study fully reorganizes the current status of the individual enterprises in Korea and their management through various statistics and surveys, and carries out the econometric analysis of the factors that determine the ratio of individual enterprises in Korea. In addition, the study analyzes the decline of the individual enterprise ratio through a case study on the distribution industries in Korea and Japan, and examines the socio-economic problems and policy issues arising from that process. Finally, the study assesses the existing policies for individual enterprises and suggests policy direction tasks for the future. The main conclusions for the future direction of policy are as follows:

First, the decline in the ratio of individual enterprises, which accounts for the largest portion of the Korean economy, should be considered to be a natural, unavoidable trend for the present. It is unnecessary to come up with immoderate policies to reverse or prevent the downward trend of the individual enterprises or self-employed workers. As the decrease in the ratio of individual enterprises stems

from the comparative disadvantage in their productivity and competitiveness resulting from the relative insufficiency in their management resources, attempting to reverse such a trend is highly likely to lead to hampering of restructuring that could progress into a direction to raise the efficiency of the entire economy through the market mechanism.

Second, when activities of individual enterprises become drastically sluggish, this could generate serious social costs by exacerbating unemployment and hindering social integration. At present, it would raise only the social cost for the government to intervene in tackling the overcrowded small individual enterprises through consideration of only the enterprises with low productivity and profitability to be subject to restructuring. The decline in the ratio of individual enterprises and the solution for the overcrowded individual enterprises should be addressed in a gradual manner through the adaptive restructuring led by the market.

Third, the policies for individual enterprises should be focused on system improvement for enhancement in the competitiveness of individual companies and the establishment of relevant infrastructure. The individual enterprises should strengthen their overall competitiveness in order for not just its survival, but also for the improvement in the efficiency of the entire economy; meanwhile, for the individual enterprises, the government should place its foremost priority on improving their competitiveness. As the current policies for individual enterprises contain the perspective of industrial policy as well as the perspective of welfare policy, a strict assessment is required on whether the policies have had an positive effect on the improvement in the competitiveness and the sustainability of individual enterprises, and whether they are contributing to sound business ecology.

Fourth, it is necessary to expand the social safety net for the self-employed involved in individual enterprises. The income status of the self-employed who run individual companies is poor compared to wage workers. Recently, the application of the social insurance system has been expanded as the government has reinforced various regulations on the workplace where insurance is not applied, and has provided extended support. However, there are still many self-employed people that are in the blind spot of the social insurance system. We must continuously come up with measures to improve the social insurance system so that it can prevent the poverty of small self-employed people, protect the living of the self-employed and help them escape from poverty.