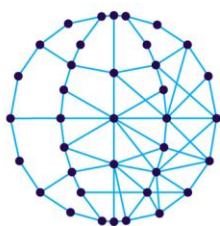


***Cooperatives : The Power to Act***  
**Texts selected for the international calls of paper**

# **EMERGENCE OF FREELANCER COOPERATIVES IN SOUTH KOREA**

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## Abstract

This paper examines freelancer cooperatives that have recently emerged in South Korea. In particular, it investigates the purposes for which freelancers have established a cooperative and the conditions required for freelancer cooperatives to thrive. Review of existing literature on how freelancers organize works and case studies regarding freelancer cooperatives highlights that freelancer cooperatives have emerged in order to reduce members' job uncertainty and time variance of projects assigned to them. Based on the analysis of organizational characteristics of freelancers in relation to entrepreneur cooperatives and worker cooperatives, we propose that a freelancer cooperative is a hybrid between an entrepreneur cooperative and a worker cooperative. The paper also proposes the conditions required for freelancer cooperatives to develop and shows how these differ from traditional producer cooperatives.

## Résumé

Cet article analyse les coopératives de travailleurs autonomes apparues récemment en Corée du Sud. Il s'attache en particulier aux motifs pour lesquels les travailleurs autonomes ont établi ces coopératives et aux conditions requises pour que celles-ci prospèrent. Une revue de la littérature actuelle sur les modes d'organisation des travailleurs autonomes et des études de cas révèle que les coopératives de travailleurs autonomes ont vu le jour afin de réduire l'incertitude liée à l'emploi des membres et la variation quant à la durée des projets qui leur sont impartis. Selon l'analyse des caractéristiques organisationnelles des travailleurs autonomes réunis en coopératives d'entrepreneurs et en coopératives de travailleurs, nous proposons qu'une coopérative de travailleurs autonomes est une forme hybride se situant entre la coopérative d'entrepreneurs et la coopérative de travailleurs. Ce papier met également en lumière les conditions requises pour que puissent se développer les coopératives de travailleurs autonomes et il expose comment celles-ci diffèrent des conditions requises dans le cas de coopératives classiques de production.

## Resumen

Este documento analiza las cooperativas de trabajadores autónomos que han surgido en Corea del Sur en los últimos tiempos. En particular, investiga los objetivos para los cuales los trabajadores autónomos crearon las cooperativas y las condiciones necesarias para que las mismas prosperen. Un estudio de la literatura existente respecto de las maneras en que los trabajadores autónomos organizan el trabajo y los estudios de casos en materia de cooperativas de trabajadores autónomos destacan que las mismas surgieron para reducir la incertidumbre laboral de sus miembros y la variación de tiempo de los proyectos que se les asignan. Sobre la base de las características organizacionales de los trabajadores autónomos respecto de las cooperativas de emprendimientos y de las cooperativas de trabajo, proponemos que una cooperativa de trabajadores autónomos es un híbrido entre una cooperativa de emprendimientos y una cooperativa de trabajo. Este documento también expone las condiciones necesarias para el desarrollo de las cooperativas de trabajadores autónomos y muestra sus diferencias con las cooperativas tradicionales de productores.

**Key words:** Freelancers' cooperative, Coordination, Complementarities, Open professional network, Hybrid organization

## Introduction

Cooperatives are recognized as a countervailing vehicle for economic actors to avoid deadweight loss resulting from value-dissipating behavior of profit seeking firms with market power (Sexton, 1990; Hansmann, 1996). The development of farmer cooperatives and consumer cooperatives from the late 19th century is well understood in this point of view (Birchall, 1997; Spear, 2000). Cooperatives have also been justified as a value-enhancing mechanism through resolving information asymmetry prevalent in industries such as the financial sector. Credit unions or cooperative banks that began to emerge from the late 19th century is a well-known example of cooperatives that have contributed to creating credit by replacing tangible collaterals with intangible ones, such as peer monitoring or a mutual trust mechanism, in order to guarantee repayment (Aghion and Morduch, 2010; Birchall, 2011).

The three main types of cooperatives, farmer, consumer and financial, quickly developed in European and North American countries and then widely proliferated throughout the rest of world. Although the diffusion of cooperatives is uneven across countries, these three types of cooperatives are the most frequently observed (Zamagni, 2012). The development of other types of cooperatives is sporadic and geographically limited (Birchall, 1997; Jang, 2014a). Existing literature reveals that the three main types of cooperatives were an organizational innovation that ordinary people attempted in order to deal with market failures in environments where institutions that govern the market were less developed and government's role in third-party monitoring and policing market transactions was minor (Hansmann, 1996; Mikami, 2003; Novkovic, 2008; Spear, 2000).

However, the late 20th century saw the emergence of renewable energy cooperatives, car-sharing cooperatives, community cooperatives, and social cooperatives which differ from traditional cooperatives in terms of their objectives, ownership structure, and governance structure (Zamagni, 2012; Borzaga and Spear, 2004; Jang, 2014a). These innovative types of cooperatives have grown in the recent years in advanced countries facing growing and chronic unemployment, an increasing number of communities that are devastated as a result of globalization and proliferation of information and communication technology, a setback of welfare state, an increasing demand for social services due to aging, and increasing economic participation of women. In South Korea, where it is possible to establish cooperatives in all industries except finance and insurance since December 2012, self-employed cooperatives and freelancer cooperatives are the most frequent. Small retailers, village bakers, automobile repair shops, or shoemakers have founded cooperatives that may be referred to as small entrepreneur cooperatives, while cooperatives of independent researchers, writers, lecturers, translators, IT developers, and web designers have also appeared.

This paper examines the economic rationale for freelancers to establish cooperatives and explores organizational characteristics of freelancer cooperatives. On the one hand, freelancers are similar to self-employed workers in that they operate their own business, yet they are different from self-employed in that they do not employ workers and supply their knowledge/skill-intensive services. On the other hand, freelancers are similar to employees in that they earn income by supplying labor, yet they differ from self-employed workers in that freelancers do not make an employment contract with a specific employer, instead they make service contracts with multiple clients on their account (Kitching and Smallbone, 2012).

Freelancers have gained growing attention from academic circles with a focus on labor market, organizational behavior, career, and entrepreneurship (Kitching & Smallbone, 2012; Born and Witteloostuijn, 2013). Existing literature reports an expanding trend in freelancing in terms of their absolute number, proportion of total working population, and number of service areas that freelancers are engaged in (Kitching & Smallbone, 2012; Lee, et al., 2013; Moulda, et al., 2014). However, few studies on freelancer cooperatives can be found (Revensburg, 2011; Birchall, 2011; Spear, 2000).

This paper examines the purposes whereby freelancers have established cooperatives. It also addresses the economic rationale underlying the common needs driving freelancers to found cooperatives and the conditions that are required for freelancer cooperatives to be sustainable. In addition, it looks at how those conditions differ from traditional producer cooperatives or worker cooperatives. Based on an overview of existing literature on freelancers, the following section provides a description of the common characteristics of freelancers from the perspective of organizational work in order to nail down common needs or economic inefficiencies associated with freelancer economic activities. Section 3 provides an overall picture of the recent advent of freelancer cooperatives in South Korea and reports two cases of freelancer cooperatives to inform a set of organizational characteristics found in freelancer cooperatives. Section 4 describes distinctive features of freelancer cooperatives relative to producer cooperatives and worker cooperatives, and then proposes some conditions that are required for freelancer cooperatives to thrive. Concluding remarks follow.

## The Characteristics and Common Needs of Freelancers

Freelancing is regarded as a kind of worker status that differs from other self-employed workers or employees. Kitching and Smallbone (2012: 76) defines freelancers as “those genuinely in business on their own account, working alone or with co-owning partners or co-directors, responsible for generating their own work and income, but who do not employ others.” Freelance jobs are frequent in the media, filmmaking, publishing, writing, translation, art, culture, web development, software development, networking and information systems, administrative support such as data entry and web search, advertising, market research and surveys, and business services such as consulting and recruitment.

Although it is not possible to identify the size of freelancer jobs since there is no formal or legal definition of freelance work or freelancers in many countries, existing literature reports an increase in freelance work in the recent decades. According to an estimate by Kitching and Smallbone (2012), for example, the number of freelancers in the United Kingdom has increased from 1,036 thousand in 1992 to 1,560 thousand in 2011. In addition, based on freelance jobs demand and supply, existing literature predicts that freelancing is likely to continue expanding in the future (Handy, 1989; Kitching and Smallbone, 2012; Lee, et al., 2013; Moulda, et al., 2014). Firms have used freelancers to enhance their flexibility in the face of changing market conditions and to respond progressively to transition from mass production of standard commodities into small quantity batch production. The number of people pursuing more freedom to determine their allocation of work and leisure is on the rise. In addition, information and communication technology keeps improving considerably the market environment for freelance job transactions.

Therefore, one may suppose that freelancers plan their work on their own, gain project orders based on their work ability and negotiation power, allocate their time between work and leisure on their own, and manage compensation for their work performance. In reality, freelancers vary in the way they organize their work tasks, secure and handle clients, manage their compensation, determine their degree of autonomy. Additionally, for some their freelance work is a primary job, for others it is a second job. Freelancers in different work settings might act quite differently (Kitching and Smallbone, 2012).

Existing literature identifies two different types of freelancers in terms of the degree of freelancer autonomy and voluntariness. The first type of freelancers refer to professionals who choose freelancing for reasons of flexibility, work-life balance, autonomy, and professionalism. They work on a per project basis with a high degree of independence and autonomy. This type of freelancer refers to the “free agency” model (Kunda et al., 2002) or “portfolio” model (Smeaton, 2003) and these freelancers are likely to be highly-skilled and highly-compensated. In contrast, the second type of freelancers refers to the “marginalization” model (Smeaton, 2003), with freelancers typically lesser-skilled, lower-paid and insecure, as a consequence of larger private and public sector organizations externalizing jobs (Kitching and Smallbone, 2012). Although these freelancers work on a service contract rather than an employment contract, they typically work for a small number of firms for a considerable period of time and have little freedom to determine work places, processes, and time. Therefore, they may also be called “disguised employees” (Rainbird, 1991). Of course, a large number of freelancers range in between both types, enjoying considerable degree of work freedom but having difficulty securing jobs. In particular, structural unemployment is likely to result in these types of freelancers. Kitching and Smallbone (2012), for example, reports that the freelance workforce has risen approximately 11 per cent during the 3.5-year period from October 2007 to April 2011 during which UK unemployment rose approximately 56%.

Although there is no formal data available on freelancer workforces, it is estimated that in the recent years the number of freelancers has increased in South Korea as well (Hwang et al., 2009; Lee et al., 2013). Existing literature on Korean labor markets highlights that freelance jobs are frequently observed and increasing in education, publishing, broadcasting, design, arts and culture, sports and recreation, information system development and web design, architecture, and social welfare service (Lee et al., 2013).

Although there are variations in freelancers, most of them share common needs. Literature reports four major issues that freelancers suffer from. First, most freelancers have trouble securing jobs (Cohen and Mallon, 1999; Dex, et al., 2000; Fraser and Gold, 2001; Hwang, 2009). This job security issue inevitably results from freelancers' entrepreneurial characteristics. Freelancers work at their own risk and for their own reward without any organizational guarantee or support. A freelancer is therefore “the archetypical job hopper going from one project and employer to the next, never staying for very long in a single organization” (Born and Witteloostuijn, 2013). What distinguishes freelancers from other self-employed is that most of freelancers sell their intangible professional knowledge based on a deferred service contract while most traditional self-employed sell tangible products to customers.

Therefore, the way for freelancers to reduce job uncertainty might differ from traditional self-employed. Most freelancers build networks to increase the probability to find clients and to have contracts awarded to them (Dex et al., 2000; Osnowitz, 2006; Hwang et al., 2009; Born and Witteloostuijn, 2013). Based on a survey with 1612 freelancers in the Netherlands, Born and Witteloostuijn (2013) show that building strong relations with agents and putting effort in building and maintaining a network significantly influences freelancers' career success. However, one may argue that the effort and time that individual freelancers emulatively put are to some degree wasteful since the resources consumed are overlapping from the social perspective and an individual's networking behavior may incur negative network externalities (Liebowitz and Margolis, 1994). Individuals' competition against other freelancers to build a network therefore needs to be improved.

A second issue is associated with a high variance of work distribution across a time period, in contrast with the first issue concerning the way work is distributed with freelancers. Many freelancers frequently suffer from the feast-or-famine cycle of work. They might experience passing up a job because the buyers needed more than they pay for, or regretting taking a big job if it turns out to be beyond their abilities. Therefore, freelancers definitely would like to reduce the variance of work distribution but this is not easy when working alone.

A third problem relates to the business relationship with clients. Freelancers are prone to undue interference and control by clients and subject to a weaker position when negotiation with clients (Fraser and Gold, 2001; Muehlberer, 2007; Hwang, 2009). Finally, freelancers are subject to tension from having to be 'enterprising' (Storey, et al., 2005; Lee, et al., 2013).

Part of the problems described above can be resolved by setting up a web portal and platform for the buyers and sellers of freelance jobs enabling them to find one another<sup>1</sup> or founding a freelancers union or association to perform activities in view of improving their status<sup>2</sup>. Cooperatives can also be a vehicle for freelancers to solve their problems. The next section describes freelancers' cooperatives founded in South Korea which in the very recent years.

### **The Korean Cases of Freelancers Cooperatives**

Although statistics on freelancers does not exist, studies on freelancers in South Korea indicate a growing presence of freelancers in various industries and fields due to similar reasons found in advanced countries mentioned above (Hwang, et al., 2009; Lee, et al, 2013). However, South Korea does not appear to have associations or unions of freelancers performing activities to solve common needs. It is natural then that freelancer cooperatives have increased in various fields in the country.

However, freelancer cooperatives did not appear until the Framework Act on Cooperatives (FAC) came into force in December 2012. The cooperative sector in Korea took top-down approach from its inception although bottom-up cooperative movements were attempted. There are strict regulations on the establishment and management of cooperatives in terms of boundary to their activities, conditions for obtaining government permission, and governance structure (Jang, 2013). Owing to increasing expectations of political leaders concerning the role of cooperatives to alleviate economic downturn and social welfare, on December 29, 2011, the FAC was passed at the Korean National Assembly, entering into force on December 1, 2012. The FAC in South Korea enables people to freely establish any kind of cooperative with five members or more in any fields except finance and insurance.

**Table 1. Distribution of newly established cooperatives by type**

	Small entrepreneur co-op	Worker co-op	Consumer co-op	Multi-stakeholder co-op	Social co-op	Total
Nov. 2013	1,909 (62.7)	225 (7.5)	208 (6.8)	601 (19.7)	102 (3.3)	3,045 (100.0)
May 2015	5,302 (74.3)	298 (4.2)	227 (3.2)	1,023 (14.3)	284 (4.0)	7,132 (100.0)

Source: Ministry of Strategy and Finance, South Korea

The Korean people has responded strongly to the enactment of the FAC. As Table 1 shows, the number of establishments of cooperatives based on the FAC has risen considerably during a short period of time. During the first thirty months after the FAC came into force, the Korean people founded 7,132 cooperatives of which over 74 percent are small entrepreneurs cooperatives, including cooperatives established by self-employed with employees, self-employed without employees, and freelancers. The Ministry of Strategy and Finance, which administrates the FAC, classifies cooperatives into five types of cooperatives: small entrepreneur (producer), consumer, worker, multi-stake holder, and social.

The desperate aspiration of self-employed and freelancers are ascribed mainly to the recent increase in the number of workers in small enterprises and the recent decrease or slowdown of employment growth in large- and medium-size firms. Self-employed business owners, unpaid family workers, and workers employed in enterprises hiring less than 10 employees share 57.8% of total employment in South Korea (Jang, 2014b). In South Korea, the self-employment rate is 29% in 2012, which is much higher than the 16% OECD average. Self-employed and small businesses are prevalent in wholesale and retail, lodging, food service, repair service, and transportation. As a result, self-employed business owners have become oversupplied and their income has been aggravated. In South Korea, the average income level of self-employed households is 76% of wage worker households in 2012 (Jang, 2014b).

**Table 2. Distribution of small entrepreneur cooperatives by industry**

Industry	Nr. of co-ops	Industry	Nr. of co-ops
Wholesale and retail	1,471(27.7)	Health/social service	173(3.3)
Agriculture/forestry/fishery	860(16.2)	Professional science/technology service	170(3.3)
Educational service	568(10.7)	Lodging/food service	179(3.3)
Manufacturing	480(9.1)	Construction	151(2.8)
Repair/personal service	401(7.6)	Maintenance/business service	147(2.8)
Arts/sports/leisure	387(7.3)	Others	294(5.5)
Printing/broadcasting/ICT service	223(4.2)	Total	5,302(100.0)

Note 1: Others include transportation, environmental service, and sewage and disposal service.

Note 2: The data dates of May 2015.

Source: Ministry of Strategy and Finance, South Korea

**Table 2** shows that small entrepreneur cooperatives are the most frequent in wholesale, retail, agriculture, and manufacture. Small entrepreneur cooperatives are also increasing in educational service, personal service, arts and leisure, publishing, broadcasting, ICT service, and professional science and technology. In particular, small entrepreneur cooperatives established in those industries or fields are different from those in the traditional industries. Most of the self-employed in wholesale, retail, agriculture, manufacture, lodging, and food service founded cooperatives in order to boost their business income by integrating common businesses upstream and downstream of the value chain (Ravensburg, 2011; Jang, 2014b). In contrast, a large portion of the small entrepreneur cooperatives in educational, personal, arts and leisure, publishing, broadcasting and ICT, and professional science and technology services were established by freelancers. The characteristics of Business activities performed by freelancer cooperatives differ from that of traditional producer cooperatives.

**Table 3. Partial list of freelancer cooperatives recently established**

Industry	Cooperative
Educational service	Korean lecturers cooperative, Korean IT freelancers cooperative, Scientists cooperative (Bossam), Story coaching cooperative, Korean social media lectures cooperative, Humanities lectures cooperative, Civic landscapers cooperative, Korean IT developers cooperative
Arts-sports-leisure-related service	Moonkyung artists cooperative, Cultural contents producers cooperative, Jincheon craftsmen cooperative, Dahakro theater freelancers cooperative
Printing-movie-broadcasting-information service	Korean photo reporters cooperative, Korean movie staffs cooperative, Gwangjoo smart contents developers cooperative, Story-tellers cooperative, Korean MICE cooperative, Picture book writers cooperative
Professional-scientific-technological service	Taesung engineering consulting cooperative, Korean creative women researchers cooperative, Joemun architects cooperative, Korean translators cooperative, Korean scientists and technicians cooperative, Webtoon writers cooperative

**Table 3** shows the partial list of freelancer cooperatives recently established in South Korea. Freelancer cooperatives are established by lecturers, coaches, consultants, IT developers, scientists, researchers, civic landscapers, artists, craftsmen, theater freelancers, reporters, storytellers, photo reporters, movie staffs, and writers. Although the number of freelancer cooperatives is not identified since the classification of cooperatives offered by the Ministry of Strategy and Finance in South Korea does not distinguish freelancer cooperatives from other types of cooperatives, existing observations imply that the number of freelancer cooperatives is not trivial. We explore the overall picture of freelancer cooperatives by describing two cases: Korean Creative Woman Researchers Cooperative (KCWRC) and Korean IT Developers Cooperative (KITDC). The case study is based on visits of the offices and interviews with chair persons and executive officers using a semi-structured questionnaire on the common needs of members, the main objectives and activities of the cooperatives, and challenges that the cooperatives face.

KCWRC was established in December 2013 by seven freelance women researchers with Masters or Ph.D. degrees in physical science, engineering, business, and public administration. Most of them are career-discontinued women due to maternity. Voluntarily or involuntarily, they did not return to



the research institute that they worked for prior to having children. They worked as freelancers for several years after having children but were stressed about finding and obtaining a research project to their liking. The main objective of KCWRC is to assist members who strongly aspire to balance work and childcare and take advantage of their freelance status by establishing an effective network and collaborative work system to help reduce the disadvantage of a freelance status.

To organize jobs, KCWRC and their members share information to raise the probability to find a research project. Once a research project is found, the cooperative allocates the project job to the most appropriate members and makes a service contract with the project client. The cooperative then makes a service contract with the members to accomplish the project job and delivers a research outcome to the client once the project gets done. In this way, the cooperative assists the members by collecting information regarding research project orders, building an effective network of woman researchers, and providing administrative work. The cooperative earns income from charging project-based fees. In March 2015, the number of members had increased to over twenty and the revenue has also increased since the cooperative was founded. Nonetheless, the KCWRC has faced challenges to secure income for its administrative staff by increasing the amount of research projects awarded and their members, without losing active member homogeneity in terms of their role.

Korean IT Developers Cooperative (KITDC) was founded in February 2013 by five freelancers and small entrepreneurs who specialize in system integration, web agencies, building e-commerce platforms, and IT consulting services. Their common needs improved their job conditions in IT industry environments, where many freelance or small IT developers suffer from a weak bargaining position in the prevalent work structure of multi-level subcontracting. The main objective of KITDC is to enhance compensation and work conditions for IT developers by directly awarding IT-related projects. The main activities of KITDC include collecting information regarding demand for and postings of IT-related projects, organizing IT developers as members appropriate for target projects, and offering members administrative services such as accounting, legal, and industrial disaster insurance. KITC also earns its income from charging fees on the basis of awarded projects.

The number of members has increased to fifty-five although minimum membership requirements include buying a share of one million Korean won. Revenue also has gradually grown. However, as most of cooperatives at the beginning stage, the cooperative has struggled with making sufficient income to secure professional staff to offer services such as planning, collecting information and winning project contracts, accounting, and the like.

### Organizational Characteristics of Freelancer Cooperatives

As described above, freelancer cooperatives aim at meeting the common needs of its members by pooling information on project markets, making contracts with clients on behalf of a group of members, allocating project jobs to appropriate members, making service contracts, and compensating members on a per project basis. It was found that freelancer cooperatives recently established in South Korea are governed by board of directors elected by a general assembly of freelancer-members. Because the Framework Act on Cooperatives (FAC) in Korea recognizes capital stock cooperatives only, freelancer cooperatives should issue shares of common stock that are owned by freelancer-members. Surplus if any can be distributed following the principle of patronage refund after setting aside a mandatory reserve as stipulated by the FAC.<sup>3</sup>

Comparing freelancer cooperatives with worker cooperatives, both are similar in terms of objective, that is members job security, yet they differ in terms of how the objective is realized and the nature of contracts between a cooperative and its members. Freelancer cooperatives make service contracts with their members whereas worker cooperatives make employment contracts with their members. Both types of cooperatives are akin each other with respect to the nature of the cooperative advantage. As noted in most successful worker cooperatives, thriving freelancer cooperatives take advantage of incentives for freelancers to reveal their preferences concerning work styles and specific capabilities and share information regarding project markets.<sup>4</sup>

Since freelancers can be regarded as a type of entrepreneurs, it is useful to compare freelancer cooperatives with traditional entrepreneur or producer cooperatives. Freelancer cooperatives are similar to traditional entrepreneur cooperatives in that both of them make service contracts rather than employment contracts with their members. They are also akin each other in that the members in either entrepreneur cooperatives or freelancer cooperatives like to pool the various resources of its members to generate mutual gains from cooperation.<sup>5</sup> However, freelancer cooperatives differ from entrepreneur cooperatives in that they purchase knowledge/skill-intensive services from their members while entrepreneur cooperatives offer common procurement services or common marketing or processing services to their members. From this comparison among three types of cooperatives, it can be derived that freelancer cooperatives are a hybrid between worker cooperatives and entrepreneur cooperatives.

**Table 4. Comparison of entrepreneur, worker, and freelancer cooperatives**

	Entrepreneur co-op	Worker co-op	Freelancer co-op
Objective	Support members' business	Secure employment of members	Help increase the mean amount of projects and reduce variance of project distributions for members
Nature of contract with members	Commercial contract	Employment contract	Commercial contract (service contract)
Economic rationale for co-op	Market power mitigation or adaptation to severe competition	Self-reliance on employment security or economic democracy	Self-reliance on job security
Nature of co-op advantages	Aligning incentives of small entrepreneurs and co-op business in a value chain	Incentive alignment between the role of capital and of labor	Incentives for freelancers to reveal their preferences and share information

Freelancer cooperatives may be regarded as innovative if they contribute to creating employment that is suitable to changing conditions of labor suppliers in a post-industrial society where the type of employment is diversifying. In addition, freelancer cooperatives may help save transaction costs associated with freelancers' effort to seek projects by transforming individual competition among freelancers into competition based on building open professional networks (Hwang et al., 2009).

Nonetheless, freelancer cooperatives face several challenges. Their main objective is to help increase the mean number of projects and reduce variation in project distribution for members. Yet the case studies described previously imply that achieving their objectives depends on employing a

coordinator specialized in securing projects for freelancers in specific fields and on high-quality portfolios of the freelance members. The probability of increasing the mean number of projects and reducing variance of project distribution for members may rely on the composition of a freelancer cooperative including highly capable members and the complementarity of the members' skills of members. Based on this proposition, one may claim that appropriate membership rules significantly may influence the success of freelancer cooperatives.<sup>6</sup> In this regard, our proposition regarding the conditions required for freelancer cooperatives to thrive differs from those for the development of traditional producer cooperatives such as agricultural supply and marketing cooperatives and commerce cooperatives, in that the latter includes economy of scale which requires a continuous increase in the number of members, subject to its impact on the costs associated with governing the cooperatives.<sup>7</sup>

With regard to securing professional coordinators, freelancer cooperatives may face the predicament that freelancer cooperatives at the initial stage may not be able to afford employing professional coordinators because free-rider problems among freelancers may not be adequately resolved. In particular, the governance costs associated with running a freelancer cooperative might not be trivial as freelance members usually work in a spatially dispersed way where peer monitoring effects, as frequently observed in thriving worker cooperatives, may not be expected (Ben-Ner and Ellman, 2013). Therefore, it is necessary for a freelancer cooperative start-up to have dedicated member leaders and professional coordinators whom are willing to sacrifice themselves at the initial stage of the cooperative.

## Conclusions

This paper examined the purposes why freelancers have established cooperatives in South Korea and the conditions required for freelancer cooperatives to be sustainable. A review of the existing literature on the demand for and supply of freelance jobs suggests that freelance work is on the rise and likely to continue expanding in the future. However, freelancers face non-trivial challenges associated with organizational work and mitigating the risk of income, which requires appropriate organization without significantly losing the benefit of freedom provided by a freelance job status. The existing literature on ways for freelancers to organize their work and case studies on freelancer cooperatives recently established in South Korea identify that freelancer cooperatives have emerged in order to reduce job uncertainty of the members and mitigate the time variance of projects assigned to freelancers.

Based on an analysis of organizational characteristics of freelancer cooperatives relative to entrepreneur cooperatives and worker cooperatives, we propose that freelancer cooperatives are a hybrid between entrepreneur cooperatives and worker cooperatives. This finding is comparable to the existing point of view that freelancers can be regarded as a hybrid between entrepreneur and wage labor. In order for freelancer-members to work together, freelancer cooperatives make service contracts with the members by pooling information on project markets and professional networks. Based on our case studies of freelancer cooperatives, we propose that the degree to which freelancer cooperatives achieve their objectives depends on the quality of members' portfolios and the hiring of coordinators specialized in securing projects for freelancers in specific fields. The former factor implies that appropriate membership rules may significantly influence the success of freelancer cooperatives.

Our paper is at the initial stage of research on freelancer cooperatives and is subject to several limitations. As described earlier, freelancers much differ from each other largely based on whether they follow a free agency model or a marginalization model. The paper does not apply this differentiation to the analysis of freelancer cooperatives. Empirical research on freelancer cooperatives in this direction may further contribute to enhancing our understanding of this new type of cooperative. Lastly, it would be interesting to investigate the potential effects of freelancer cooperatives on the outsourcing behavior of firms.

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<sup>1</sup> The websites began to appear in late 1990s and include oDesk, Elance, Field Nation, People Per Hour, and Fiverr in the UK and the US.

<sup>2</sup> An example includes Freelancer Union founded in 2001 in the US, which has been successful to resolve health insurance issues whereby freelancers have a hard time benefitting from a private group health insurance policy for a fair term.

<sup>3</sup> See Jang(2013a) for more details.

<sup>4</sup> See Hansmann (1990) and Ben-Ner and Ellman (2013) for this stream of study on worker cooperatives.

<sup>5</sup> See Ménard (2004) and Ravensburg (2011) for theoretical arguments; see Choukroun (2013) for the interesting cases of entrepreneur cooperatives that share over thirty percent of market shares in the French commerce sector.

<sup>6</sup> The representatives of several freelancer cooperatives who were interviewed by the author consistently claimed that they are very careful when reviewing membership applications to make sure about applicants' willingness to share their information on project markets with other members and their areas of specialty being a good complement to those of existing members.

<sup>7</sup> See Schroeder (1992), Valentinov (2007), and Bijman and Iliopoulos (2014) for agricultural cooperatives; see Ravensburg (2011) and Choukroun (2013) for commerce cooperatives.



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