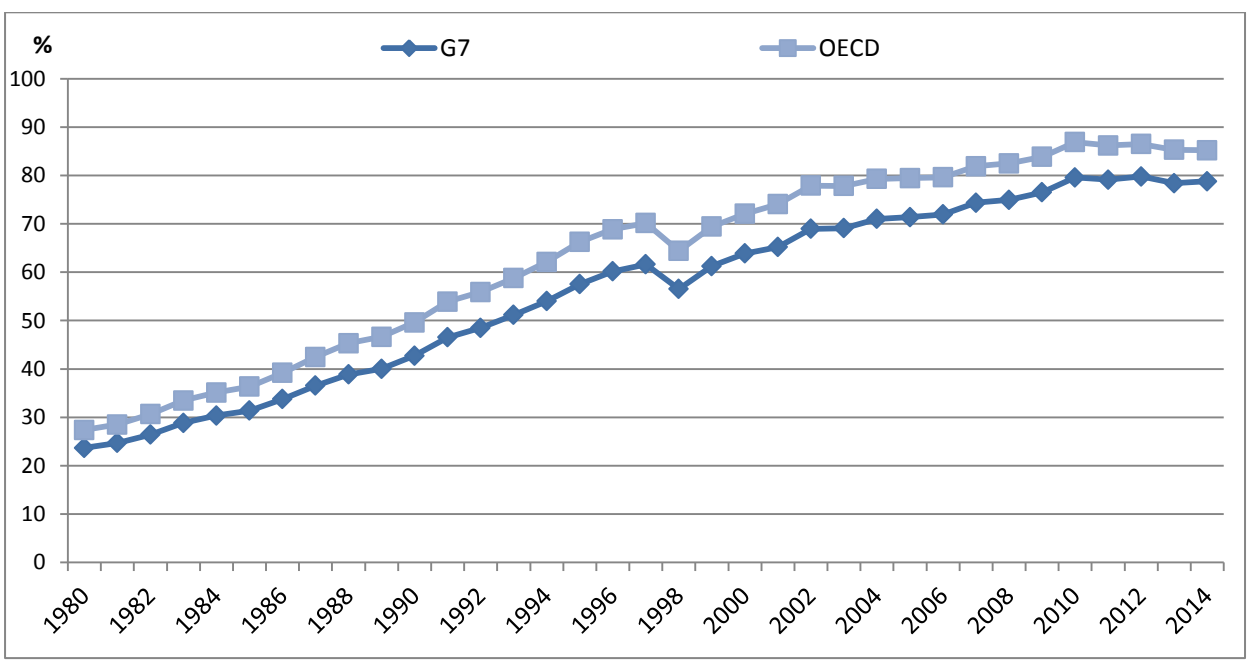
Introduction

Broad policy challenges and priorities to strengthen public governance in Korea

Over the past 35 years, the Korean population has benefited from remarkable improvements in standards of living. In 2014, Korea's per capita income reached more than 85% and close to 80% of that in other OECD and G7 countries respectively; compared to slightly more than 20% in the early 1980s (Figure 1). This catching up in standards of living with other OECD and G7 countries has been steady, with the exception of the Asian financial crisis at the end of the 1990s. Public governance has been crucial in supporting an export-driven economic growth model led mainly by very large conglomerates (*chaebols* companies). However, since 2010, Korea's per capita income as a share of that in the G7 countries is stagnating. In addition, productivity growth is expected to remain limited in the coming years while income inequalities and poverty are rising (especially among the elderly) (OECD, 2014).

Figure 1. Korea has achieved rapid economic convergence with OECD and G7 countries

Korea's per capita income as a share of that of G7 and OECD countries



Source: OECD National Accounts Database.

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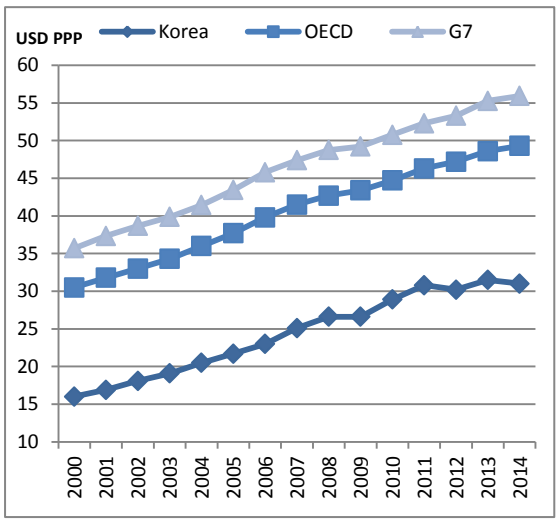
Figure 2. …but productivity is stagnating since 2011

GDP per hours worked



Source: OECD Annual National Accounts (ANA) Database.

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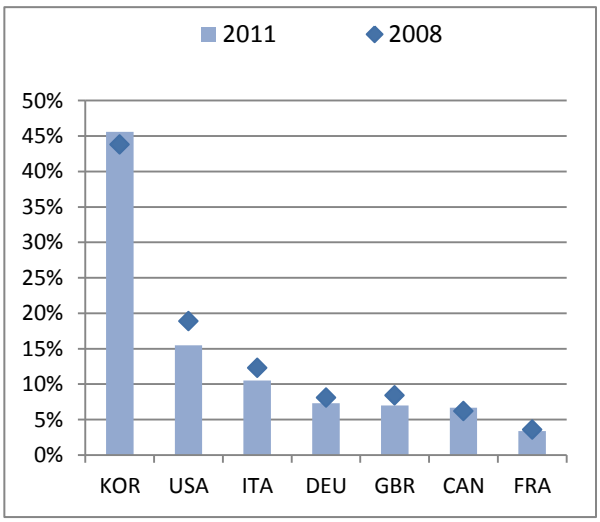
Figure 3. …and the poverty rate for the elderly is high and rising

Poverty rate after taxes and transfers among people aged 66-75



Source: OECD Income Distribution Database.

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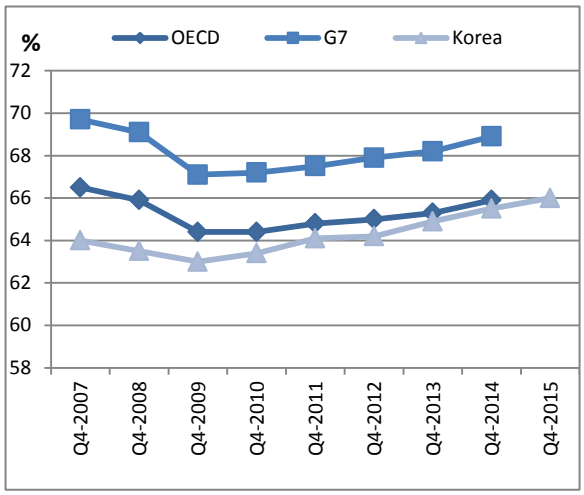
Compared to many other OECD countries and G7 countries, Korea has shown a stronger labour market recovery from the crisis with employment increasing steadily and unemployment remaining low. The employment rate returned to its pre-crisis level of 64.0% in 2011, and has since risen further to reach 66% in the fourth quarter of 2015. At 3.4% in the fourth quarter of 2015, Korea's unemployment rate was (together with Japan) the lowest among OECD countries.

However, Korea's labour market faces some challenges. Nearly one-third of employees are non-regular workers, and the incidence of nonregular employment among youth and older workers is particularly high (OECD, 2015). Although the youth unemployment rate is relatively low, it has risen since the end of 2012 due partly to the over-supply of university graduates and the extension of retirement age (KORCHAM, 2015). In the fourth quarter of 2015, it reached 9.9%, comparable to the level reached during the crisis (10.1% in 2009). There is also a comparatively high number of youth (aged 15-29) who are neither in employment nor in education and training (NEET). In 2014, this group accounted for 18% of all youth, 3 percentage points above the OECD average.

Figure 4. Employment rate

Percentage of the working-age population (aged 15-64)



Source: Labour Market Statistics (database).

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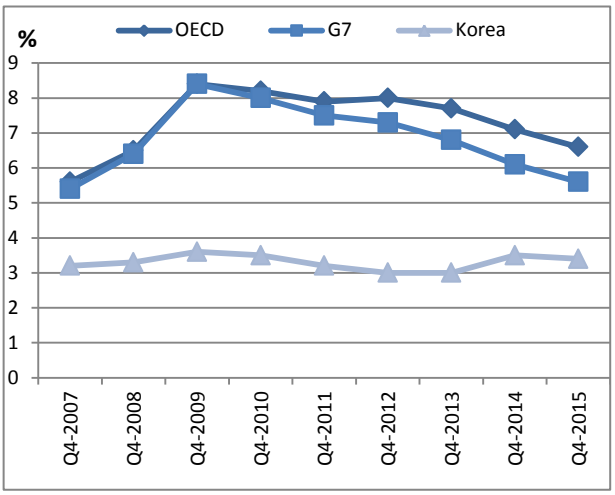
Figure 5. Harmonized unemployment rate

Percentage of total labour force



Source: OECD Labour Market Statistics (database).

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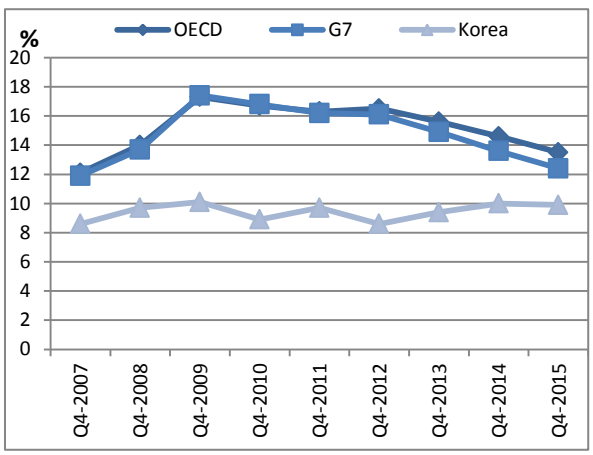
Figure 6. Youth unemployment rate

Percentage of young labour force (aged 15-24)



Source: OECD Labour Market Statistics (database).

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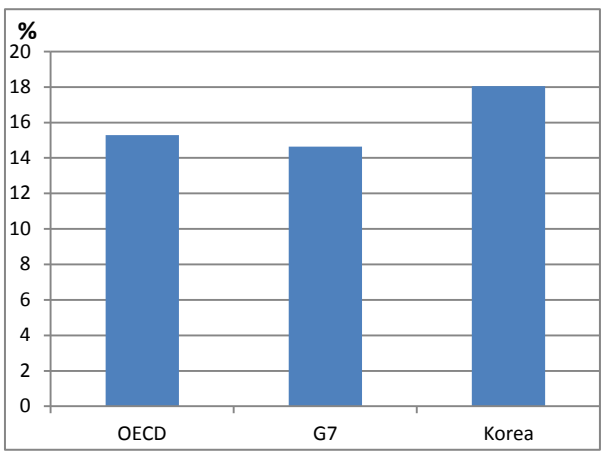
Figure 7. NEET rate among youth

Percentage of population (aged 15-29), 2014



Note: Data for Korea for the NEET figure are for 2013 rather than 2014. No time series are available for Korea.

Source: OECD Labour Market Statistics (database).

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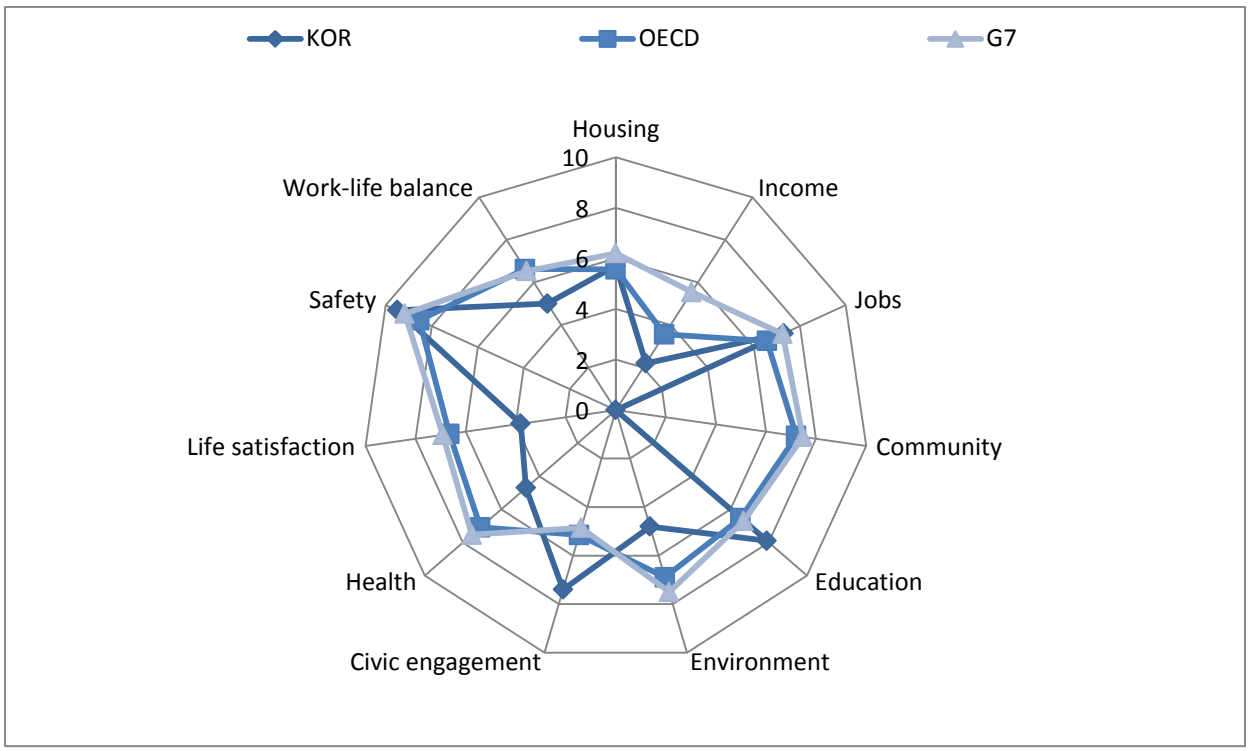
Despite high scores for certain dimensions, Korea generally ranks below the OECD and G7 average in a majority of the dimensions of the OECD's Better Life Index (Figure 8). While scores for safety, civic engagement and education outcomes are generally better (higher) than the score in other OECD and G7 countries, the scores of Korea are particularly low in certain important dimensions of well-being such as community

engagement, work-life balance, life satisfaction and health care. Only 72% of people believe that they know someone they could rely on in time of need, less than the OECD average of 88%, and the lowest figure in the OECD. In addition, 18.7% of the Korean population report working fifty hours or more on average per week which is the 4th highest share across the OECD after Japan, Mexico and Turkey. Improving economic and social outcomes is a key priority for Korea's policy makers.

Figure 8. Korea scores relatively low in certain measures of well-being

OECD Better Life Index, 2015



Note: Data for Korea for the NEET figure are for 2013 rather than 2014. No time series are available for Korea.

Source: OECD Labour Market Statistics (database).

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Priorities of the Korean Government

Building a trustworthy public administration is a key priority of the Korean government to support economic revival, well-being and promote a more inclusive society. In 2013, the Korean Government defined its new strategic vision and plans. Four key strategic priorities were identified: i) economic revival; ii) happiness for the people; iii) cultural enrichment; iv) laying a foundation for peaceful reunification. These broad priorities were subdivided into more specific strategies and tasks (Box 1). Moving towards a more open and capable public administration has been identified as the important basis for effective implementation of medium and long term government strategic orientations and policies.

Box 1. The 2013 policy priorities of the Korean government and related administrative tasks

In 2013, the Korean government launched its new national strategic vision and plans for implementation. The strategy identified four key policy priorities. Public confidence in government is crucial to the achievement of these priorities. This new vision aims to promote "a mutually reinforcing cycle of national advancement and happiness for the people".

The 4 policy priorities	Basis for implementation (1 strategy)
Economic revival (3 strategies, 42 tasks) – Creative economy – Economic democratization – Economy for ordinary people Happiness for the people (4 strategies, 64 tasks) – Tailored employment and welfare – Public safety – Creativity-oriented Education – Social cohesion Cultural enrichment (3 strategies, 10 tasks) – Increased participation in cultural activities – Promotion of culture and the arts – Convergence of culture and industry Laying a foundation for peaceful unification (3 strategies, 13 tasks) – Water-tight security – Trust based diplomacy – Trust building process on the Korean peninsula	A trustworthy administration (Government 3.0 and an upright and capable administration)

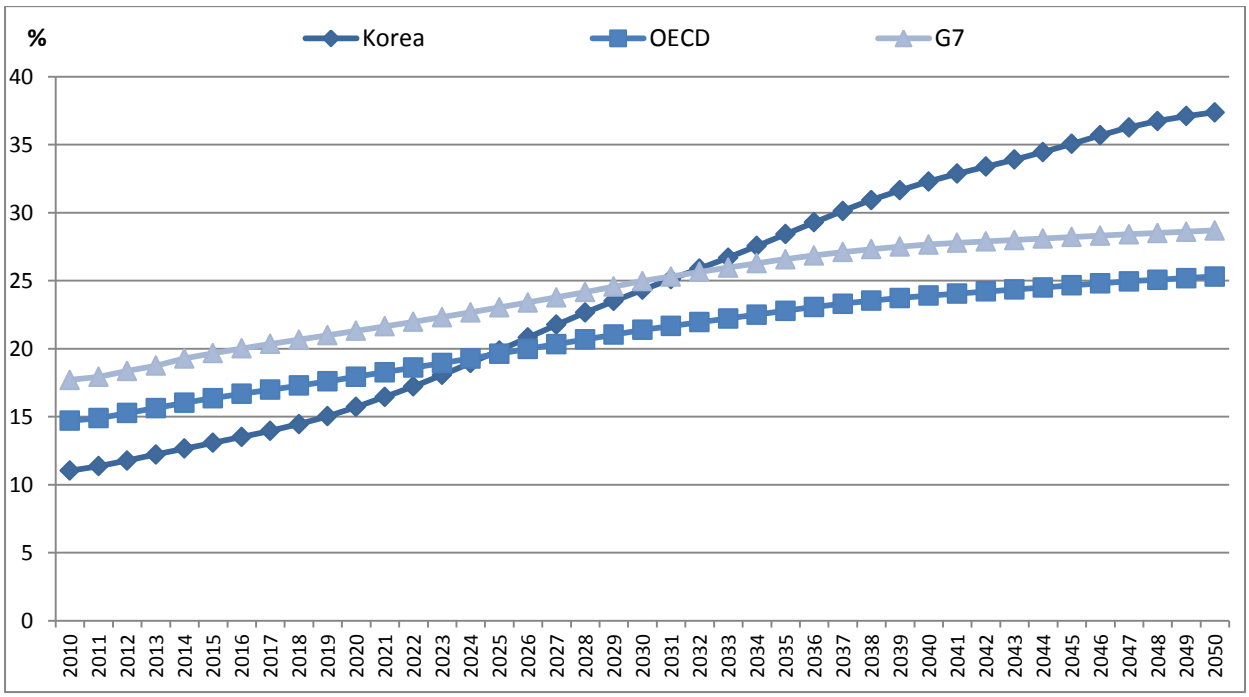
Source: Korean Ministry of Interior, http://english1.president.go.kr/government/policyTasks.php

Public policy challenges in Korea

Korean public policies and public administration need to address a number of important demographic, security and public trust challenges, but it can build on some strengths to do so. Firstly, the demographic pressure due to a rapidly ageing population and low fertility rate is increasing the share of government expenditures dedicated to ageing-related spending such as pensions and health and long-term care. The Korean government starts from an enviable position of having budget surpluses and a low accumulated debt compared with most other OECD and G7 countries (see Chapter 1: Public finances in Korea), but still population ageing will increase pressure to increase efficiency of the growing amount of money spent on health and other social services. Possible lower tax revenues arising from a growing old-age dependency ratio is also expected to increase budget pressures in the coming years.

Figure 9. The share of people aged 65+ will exceed 20% and the OECD average by 2025 and is expected to exceed 35% by 2050

Share of the population aged 65 and over, 2010-2050



Source: OECD demography and population Statistics, 2015.

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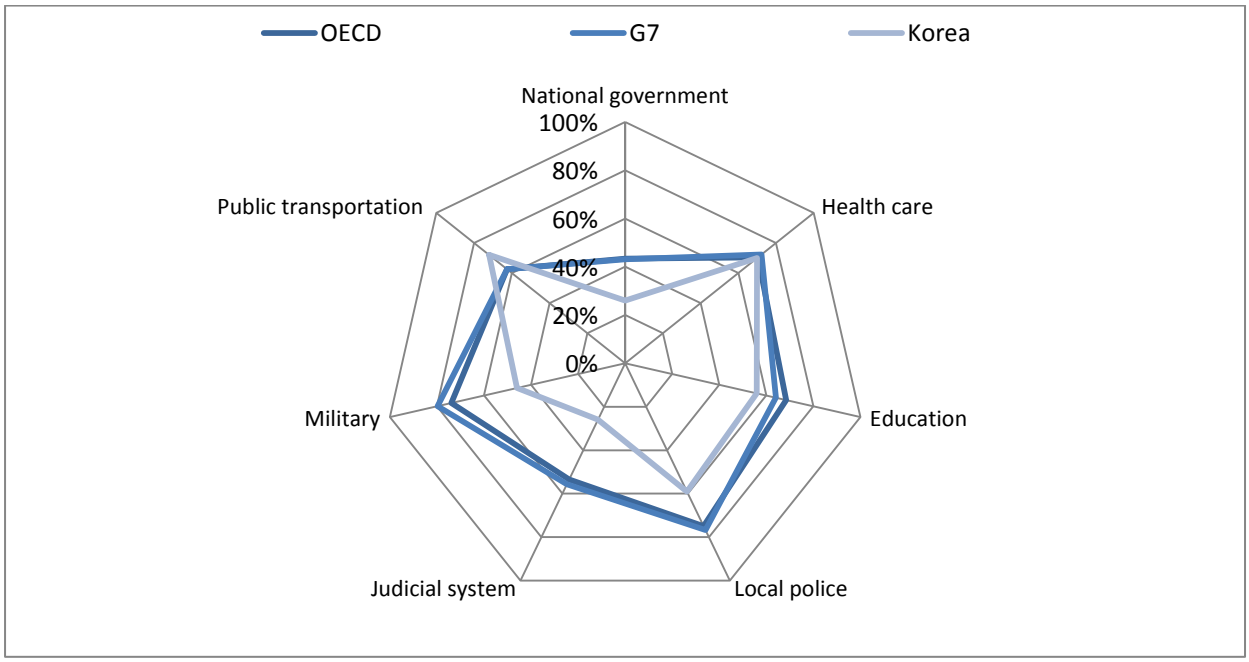
Secondly, the uncertainty related to the reunification with North Korea remains an important source of potential risk, having a significant impact on budget practices and the share of government expenditures dedicated to defence.

Thirdly, low trust in the national government combined with high perception of corruption in the public sector makes administrative reforms all the more urgent and necessary but very challenging. In 2015, 26% of the Korean population reported confidence in their national government compared with 43% in other OECD countries and 43% in G7 countries. Despite some improvement between 2007 and 2015, low trust in national government in Korea, as in other OECD countries, can have a negative impact on the effectiveness of public policies and on compliance with rules and regulations.

Confidence and satisfaction levels with public services and institutions are generally higher than the level of confidence in the national government (except confidence in the judicial system) although they remain lower than across the OECD and in G7 countries on average. Between 2007 and 2015, confidence with the local police and the satisfaction with the public transportation system have particularly improved in Korea. By contrast confidence in the judicial system and in the military have slightly decreased.

Figure 10. Percentage of people reporting high levels of confidence and satisfaction with government services and institutions in 2015



Note: Confidence in the military: OECD average excludes data for Iceland because no data available.

Source: Gallup World Poll (database).

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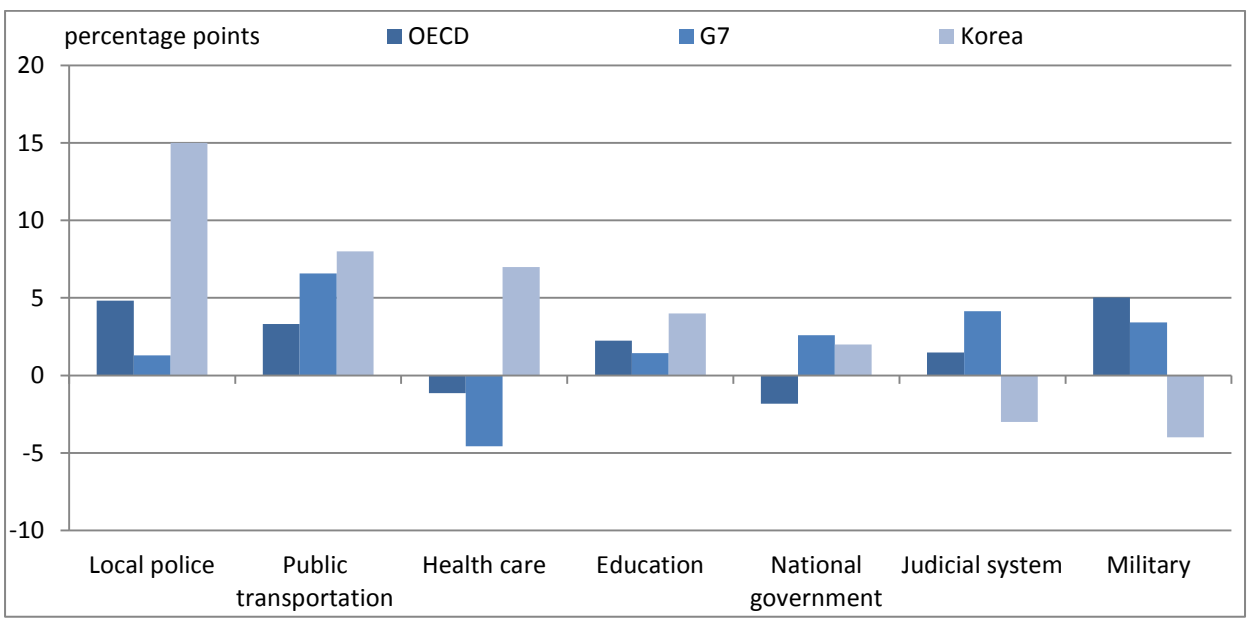
Figure 11. Percentage point change in self-reported satisfaction with services and institutions between 2007 and 2015



Source: Gallup World Poll (database).

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Purpose of this publication

The purpose of this publication *Government at a Glance: How Korea compares* is to provide a set of indicators to assess the progress in Korea in achieving some of the ambitious goals set out to promote dynamic economic growth and an inclusive society and to compare it with other OECD and G7 countries. In Korea, government expenditures represent more than 30% of GDP every year. While this is lower than in most other OECD and G7 countries, the Korean government is an increasingly important player in the national economy. Therefore understanding how public services and goods are produced and how the public administration works and functions is key to improve economic performance and well-being.

The main questions that this report intends to answer are:

- What are the resources devoted to producing public goods and services in Korea? What are the main trends regarding public finances and public employment?
- How do the practices and procedures of the Korean public administration compare to those in other OECD and G7 countries? How evidenced-based and open is public policy-making?
- How can public services be made more efficient and effective?

In light of the strategic priorities and objectives established by the Korean government to support economic activity, inclusive growth and well-being this report includes chapters on public finance management, public sector employment, open and transparent government, administrative burden and regulatory governance as well as chapters on the performance of the health and long term care system and the education system. The objective of this report is not to provide detailed policy recommendations but rather to present robust empirical evidence to identify areas where Korea might be leading the way and others calling for further reforms and development.

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