OECD 특별세션

OECD Special Session

# Presentation

## 경제 패러다임의 변화

Changes in Economic Paradigm

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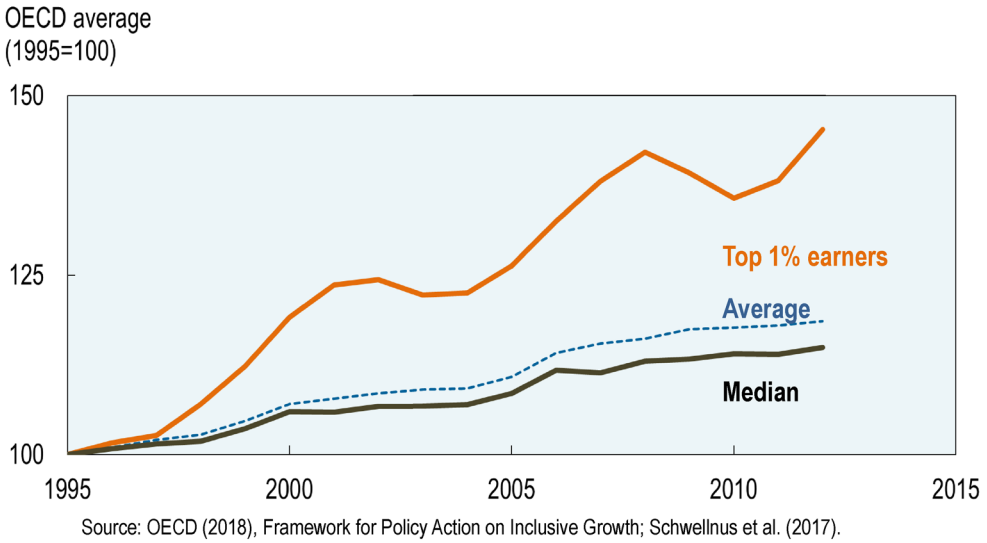
# Changes in Economic Paradigm

## Creating Opportunities for All in Korea

Romina Boarini, Director of the OECD Centre for Well-being, Inclusion, Sustainability and Equal Opportunities (WISE)

OECD
BETTER POLICIES FOR BETTER LIVES

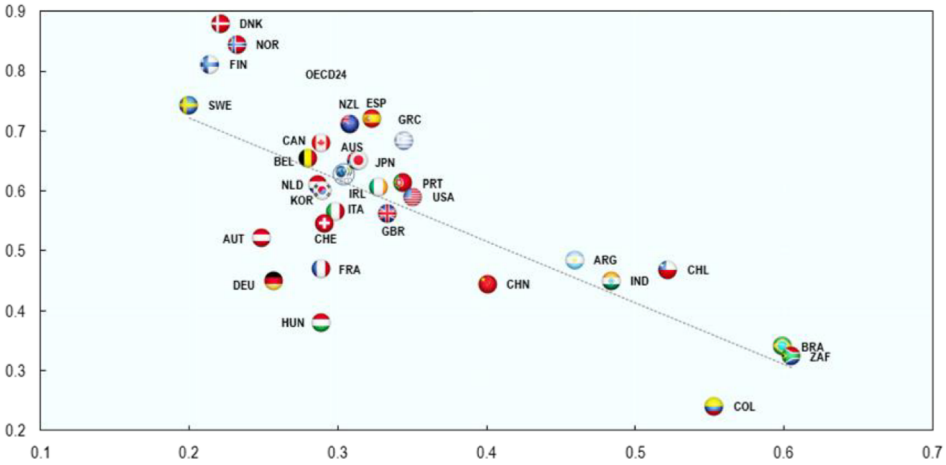
## Megatrends challenge previous growth models – inequality




Source: OECD (2018), Framework for Policy Action on Inclusive Growth; Schwellnus et al. (2017).

# Megatrends challenge previous growth models – inequality and future prosperity

**Intergenerational earnings mobility**



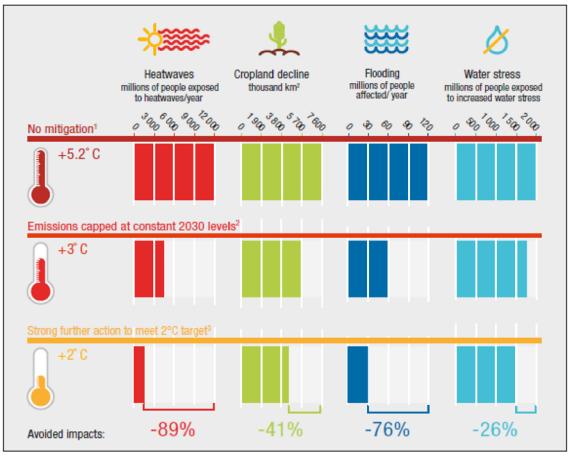

Source: OECD (2018), Broken Elevator.

**Gini coefficient**



# Megatrends challenge previous growth models – climate change and environmental degradation

Figure 2.2. **Estimates of climate change impacts avoided by 2100 through mitigation**

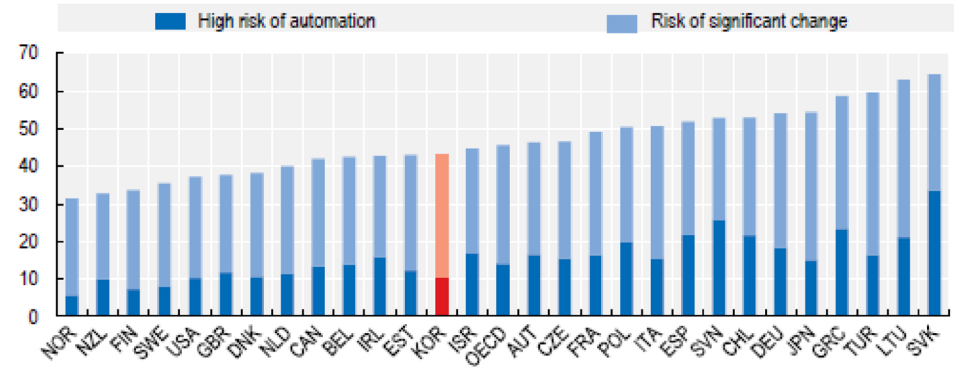



*Notes:* (1) Refers to RCP8.5 scenario. (2) Emissions capped 55.1 $GtCO_2e$, consistent with the NDCs, with no backtracking. (3) Strong further action for a 50% chance of meeting the 2°C target: emissions of 55.1 $GtCO_2e$ in 2030, with further large reductions in GHG emissions to meet 2°C by 2100.
*Source:* AVOID2 (2015).

# Megatrends challenge previous growth models – digitalisation

Figure 2.3. Jobs at risk of automation in Korea and other OECD countries

Share of jobs at a high risk of automation or a significant risk of change (%)

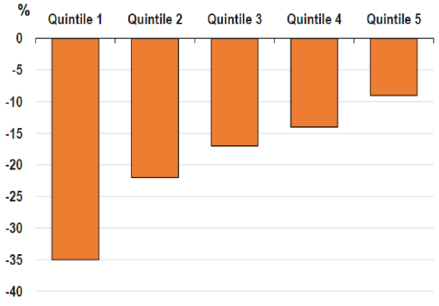





# The COVID-19 crisis has further exacerbated pre-existing inequalities and vulnerabilities

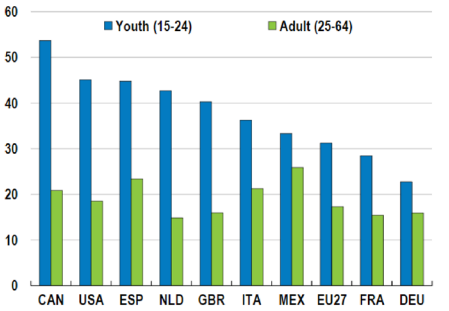
**Larger employment declines for low-paid workers**

*Employment declines April vs February 2020, United States*



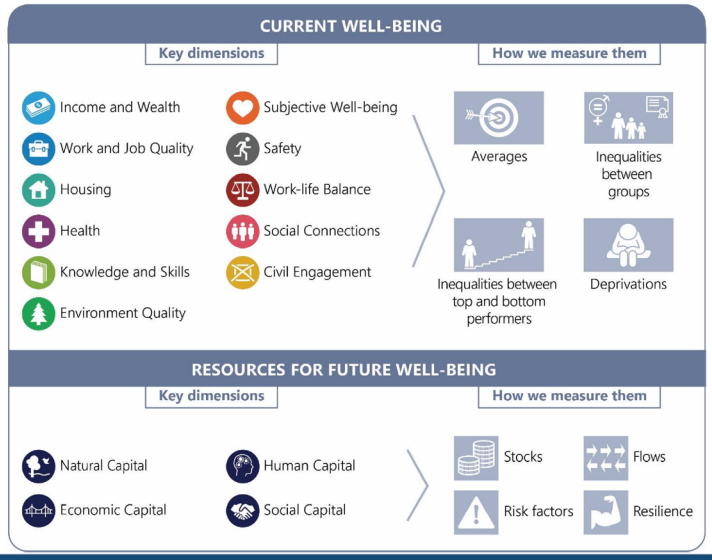

**More youth work in the hardest-hit sectors**

*Share of youth and adults employed in the hardest-hit sectors, 2019*




*Source: OECD Economic Outlook 2020*

## Societal trends call for approaches that go beyond average income levels and consider well-being and sustainability in a holistic way






## Embracing global goals for sustainability – the 2030 Agenda

OECD Action Plan on SDGs

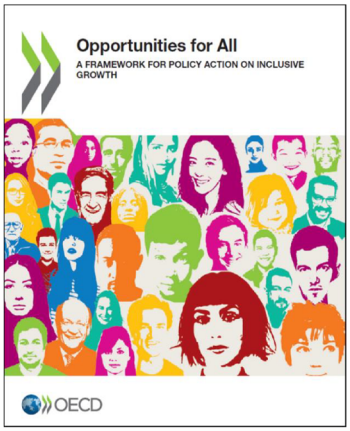
1. Apply an SDG lens to OECD's strategies and policy tools
2. Leverage OECD data
3. Support at the country level, be a forum for exchange
4. Reflect SDGs in OECD external relations



## Transformation to a new paradigm of growth that puts people's well-being and sustainability at the centre

- Give the bottom 40% a chance to achieve their full potential and contribute to economy and society



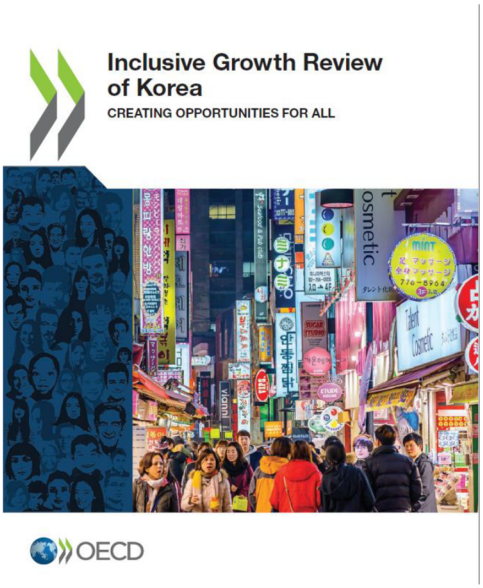



## The OECD response to build back better and the new economic paradigm – the creation of WISE

- Creating new evidence, tools and policy solutions to improve people's well-being;
- Providing policy-advice to urgent challenges posed by crises and aligning these responses with long-term objectives, such as the SDGs.
- By improving statistical measures using innovative methodologies;
- Developing measurement guidelines;
- Leading country reviews using a multi-dimensional approach
- Developing pioneering tools to collect new data on people's perceptions & experiences;
- Exploring the root causes of inequalities & building a framework to support reforms;
- Investigating how to improve childhood experiences, reduce child poverty & promote equal opportunities;
- Providing a forum to foster international debate, and share experiences among experts & concerned citizens.

## From Framework for Action on Inclusive Growth to creating opportunities for all in Korea



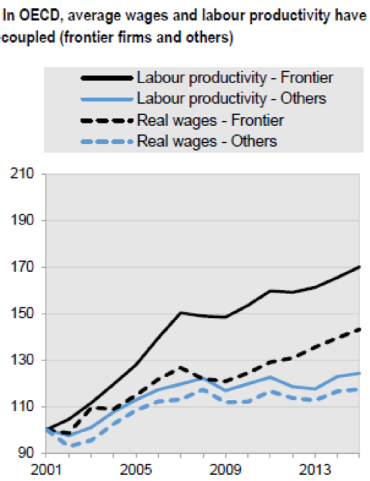



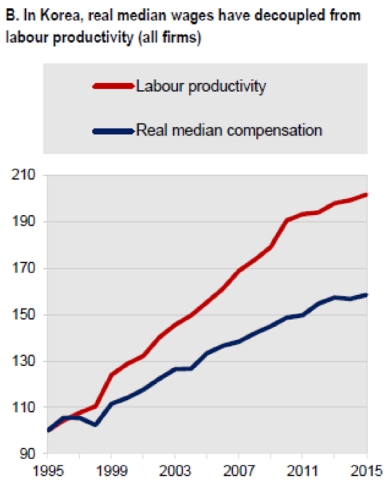



## Achieving the vision of inclusive and innovative nation takes addressing imbalances of past approaches

- \+ High average incomes
- \+ Educated population
- \+ Advancements in health and well-being
- \+ Global brands

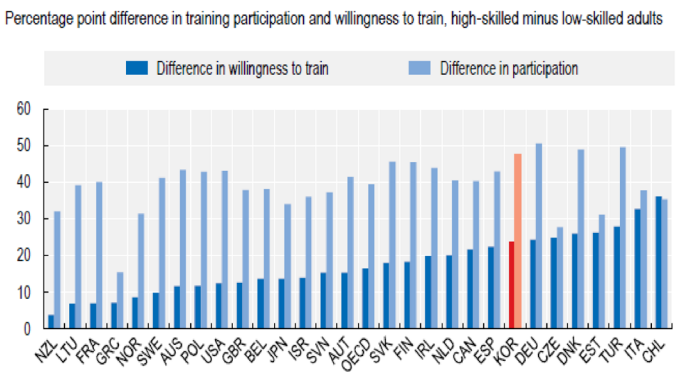
- \- Divides and inequalities, underinvestment in particular groups
- \- Poor social connections
- \- Wage & productivity gaps



## Making the labour market more inclusive

- Wide wage dispersion and high share of low-wage workers
- Significantly higher pay for regular workers and employees in large firms
- Low mobility of non-regular workers to regular jobs
- High incidence of low-paid jobs among women
- Bias towards university careers for youth
- High employment and high poverty rates among elderly
- Gaps in access to training





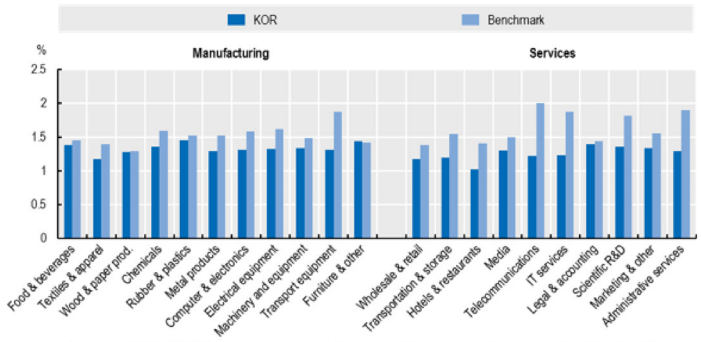

## Making the labour market more inclusive
## Key recommendations

- Break down labour market duality, increase social insurance coverage and upskilling opportunities for low-skilled and non-regular workers
- Remove time-related and other obstacles to upskilling
- Adopt specific policies for under-represented and disadvantaged groups
- Prepare for future of work by designing policies to protect new forms of employment from abuse
- Put in place an evaluation framework for inclusive labour market policies

## The future of doing business in Korea

- Large disparities between firms lead to inequalities in the distribution of gains from growth
- Specialisation in manufacturing exports offers little room for SME productivity growth though internationalisation
- Low scale-up despite public support points to disincentives to innovate and grow

**Figure.** Average three-year post-entry growth, by industry, 2010-2015




*Source*: OECD (2021), Inclusive Growth Review of Korea: Creating Opportunities for All



## The future of doing business in Korea
## Key recommendations

- Continue with plans to level the playing field between manufacturing and services
- Create a one-stop-shop to help SMEs navigate the support system and work better with large firms
- Re-evaluate and streamline existing support
- Design a more inclusive GVCs strategy towards the services sector and SMEs

## Key recommendations for creating opportunities for all
## Embedding inclusiveness into the policy-cycle

- Formalise coordination mechanisms across ministries, other institutions and stakeholders to ensure a whole-of society buy-in for the growth model that puts people at the centre, and to identify synergies and tensions between policy objectives.
- Develop a comprehensive measurement framework for tracking progress and evaluating policy effectiveness and their impact on inclusiveness.
- Embed the measurement framework into the budgeting cycle and institutionalise the framework for longevity and continuity across the electoral cycle.
- Use data and smart technologies to screen policies for their impacts on inclusiveness.

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## Key recommendations for creating opportunities for all
## Addressing the needs of Koreans through effective and responsive governance

- Demonstrate commitment for preventing and tackling policy capture.
- Address perceptions of unfairness in business, education and other facets of public life.
- Move to effective engagement of civil society in the decision- and policy-making process.
- Address demands for redistribution, provide more tailored support to societal groups and individuals left behind.
- Monitor the appetite for increase in taxes to finance quality public services and investment in future productivity.

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# Broad Areas for Possible Future Collaboration

- Political economy study on the acceptability of reforms for redistribution.
- Contribution to the decade of action on the SDGs – implementation in Korea by bringing together the social, environmental and economic dimensions in alignment with the Korea New Deal.
- Study exploring the virtuous cycle of the economy of well-being, where citizens' well-being drives economic prosperity, stability and resilience.
- Analysis of social mobility and the changing risks and opportunities of the Korean middle class.
- Collaborate to address uneven technology adoption and innovation gaps.
- Designing a comprehensive measurement framework tracking policy objectives and monitoring impacts on inequality and sustainability.



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