

Towards an Innovative and Inclusive Korea

‘소득 3만달러 대한민국 평가와 과제’ 국제컨퍼런스

May 9, 2019, 12:30~17:30 | Diamond Hall(22F), The Plaza Seoul
2019년 5월 9일(목) 12:30~17:30 | 더 플라자 서울 다이아몬드홀(22층)

Hosted by **KDI** 한국개발연구원
Korea Development Institute

Sponsored by  기획재정부
Ministry of Economy and Finance

Program

12:30~13:00 Registration and Networking

13:00~13:30 **Opening Ceremony**

Opening Remarks

Jeong Pyo Choi President, KDI

Congratulatory Remarks

Jong-won Yoon Senior Secretary to the President for Economic Affairs

Congratulatory Remarks

Ho-seung Lee 1st Vice Minister, Ministry of Economy and Finance

13:30~14:20 **Session 1. Inequality and Inclusive Growth**

Chair | Seh-Jin Chang Emeritus Professor, Inha University

Presentation 1

Confronting Inequality: How Societies Can Choose Inclusive Growth

Jonathan Ostry Deputy Director, Asia and Pacific Department, IMF

Presentation 2

Macroeconomic Consequences of Inequality and Aging: The Case of Korea

Sangyong Joo Professor, Konkuk University

Discussion

Seun Jeong Professor, Chungnam National University

14:20~14:30 Coffee Break

14:30~15:20 **Session 2. Transition to an Innovation-driven Economy**

Chair | Seh-Jin Chang Emeritus Professor, Inha University

Presentation 1

Rebooting the Miracle on the Han River

Vincent Koen Country Studies Division Chief, OECD

Presentation 2

Challenges for Industrial Innovation & Inclusive Growth in Korea

Suk In Chang Senior Research Fellow, Korea Institute for Industrial Economics & Trade

Discussion

Jae-Yong Choung Professor, KAIST

Towards an Innovative and Inclusive Korea

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15:20~16:10 **Session 3. Economic Growth and Quality of Life**

Chair | Seh-Jin Chang Emeritus Professor, Inha University

Presentation 1 **Inclusive Growth: Protecting and Promoting Human Wellbeing**

J. Allister McGregor Professor, University of Sheffield

Presentation 2 **Inclusive Welfare and Quality of Life in Korea**

Hae-sik Jung Research Fellow, Korea Institute for Health and Social Affairs

Discussion

Wonhyuk Lim Professor, KDI School of Public Policy and Management

16:10~16:20 **Coffee Break**

16:20~17:30 **Panel Discussion**

Chair | Joonghae Suh Senior Research Fellow, KDI

Discussion

Jonathan Ostry Deputy Director, Asia and Pacific Department, IMF

Vincent Koen Country Studies Division Chief, OECD

J. Allister McGregor Professor, University of Sheffield

Young Kyung Suh Director General, Sustainable Growth Initiative, Korea Chamber of
Commerce and Industry

Sanghoon Ahn Senior Research Fellow, KDI

프로그램

12:30~13:00 등록

13:00~13:30 개회식

개회사
최정표 KDI 원장

축사
윤종원 대통령비서실 경제수석

축사
이호승 기획재정부 제1차관

13:30~14:20 **세션 1. 소득불평등과 포용적 성장**
사회 | 장세진 인하대학교 명예교수

발표 1 소득불평등, 원인과 대응
조나단 오스트리 IMF 아시아태평양국 부국장

발표 2 불평등 심화와 고령화의 거시경제적 효과: 한국의 사례
주상영 건국대학교 교수

토론 정세은 충남대학교 교수

14:20~14:30 휴식

14:30~15:20 **세션 2. 혁신주도형 경제로의 이행**
사회 | 장세진 인하대학교 명예교수

발표 1 새로운 한강의 기적: 기회와 과제
빈센트 코엔 OECD 국가분석실장

발표 2 포용적 혁신성장을 위한 한국의 산업혁신 전략과 과제
장석인 산업연구원 선임연구위원

토론 정재용 KAIST 교수

Towards an Innovative and Inclusive Korea
‘소득 3만달러 대한민국 평가와 과제’ 국제컨퍼런스

15:20~16:10 **세션 3. 경제성장과 삶의 질**
사회 | 장세진 인하대학교 명예교수

발표 1 포용적 성장: 더 나은 삶과 사회적 책임
알리스테르 맥그레거 영국 셰필드대학교 교수

발표 2 포용적 복지와 삶의 질
정해식 한국보건사회연구원 연구위원

토론 임원혁 KDI국제정책대학원 교수

16:10~16:20 휴식

16:20~17:30 **종합토론**
사회 | 서중해 KDI 선임연구위원

토론 조나단 오스트리 IMF 아시아태평양국 부국장

빈센트 코엔 OECD 국가분석실장

알리스테르 맥그레거 영국 셰필드대학교 교수

서영경 대한상공회의소 SGI 원장

안상훈 KDI 선임연구위원

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Profile of Participants

연사 소개

Towards an Innovative
and Inclusive Korea

‘소득 3만달러 대한민국 평가와 과제’

국제컨퍼런스

Session 1. Inequality and Inclusive Growth



Chair (Chair for Session 2 & 3)

Seh-jin Chang

Emeritus Professor, Inha University

장세진

인하대학교 명예교수

2015 ~ Present	Emeritus Professor, Inha University
2017 ~ Present	Director, Seoul Institute of Economic and Social Studies
1976 ~ 2015	Professor of Economics, Inha University
2005 ~ 2006	Chair, Korean Development Economics Association
2004 ~ 2008	Member of the Presidential Commission of Policy Planning
2004 ~ 2006	Chair, Inha University Faculty Association
2015 ~ 현재	인하대학교 명예교수
2017 ~ 현재	서울사회경제연구소 소장
1976 ~ 2015	인하대학교 경제학과 교수
2005 ~ 2006	한국경제발전학회 회장
2004 ~ 2008	대통령자문 정책기획위원회 위원(경제1분과 간사)
2004 ~ 2006	인하대학교 교수협의회 회장

Session 1. Inequality and Inclusive Growth



Speaker (Panelist for Panel Discussion)

Jonathan Ostry

Deputy Director, Asia and Pacific Department, IMF

조나단 오스트리

IMF 아시아태평양국 부국장

現 경제정책연구센터(CEPR) 연구위원

Jonathan D. Ostry is Deputy Director of the Asia and Pacific Department at the International Monetary Fund and a Research Fellow at the Center for Economic Policy Research (CEPR). His recent responsibilities include leading staff teams on: IMF-FSB Early Warning Exercises on global systemic macrofinancial risks; vulnerabilities exercises for advanced and emerging market countries; multilateral exchange rate surveillance, including the work of CGER, the Fund's Consultative Group of Exchange Rates, and EBA, the External Balance Assessment; international financial architecture and reform of the IMF's lending toolkit; capital account management (capital controls and prudential tools to manage capital inflows) and financial globalization issues; fiscal sustainability issues; and the nexus between income inequality and economic growth. Past positions include leading the division that produces the IMF's flagship multilateral surveillance publication, the World Economic Outlook, and leading country teams on Australia, Japan, New Zealand, and Singapore. Mr. Ostry is the author of a number of books on international macro policy issues, including, *Taming the Tide of Capital Flows* (MIT Press, 2017), and *Confronting Inequality* (Columbia University Press, 2018) and numerous articles in scholarly journals. His work has been widely cited in print and electronic media, including the BBC, the Economist, the Financial Times, the Wall Street Journal, the New York Times, the Washington Post, Business Week, and National Public Radio. His work on inequality and unsustainable growth has also been cited in remarks made by President Barack Obama. He earned his B.A. (with distinction) from Queen's University (Canada) at age 18, and went on to earn a B.A. and M.A. from Oxford University (Balliol College), and graduate degrees from the London School of Economics (M.Sc., 1984) and the University Chicago (Ph.D., 1988). He is listed in *Who's Who in Economics* (2003).

Session 1. Inequality and Inclusive Growth



Speaker

Sangyong Joo

Professor, Konkuk University

주상영

건국대학교 교수

2002.09 ~ Present
Present
Present
Present
Past

Professor, Economics Department, Konkuk University
Member of the National Economic Advisory Committee
Co-Chair of the Korea Association of Social Sciences
Board Member of the Korea Economics Association
Research Fellow, Korea Institute for International Economic Policy

2002.09 ~ 현재
現
現
現
前

건국대학교 경제학과 교수
국민경제자문회의 자문위원
한국사회과학회 공동대표
한국경제학회 이사
대외경제정책연구원 연구위원

Session 1. Inequality and Inclusive Growth



Discussant

Seeun Jeong

Professor, Chungnam National University (CNU)

정세은

충남대학교 교수

2015.10 ~ Present	Professor, School of Economics, CNU
2016.01 ~ Present	Director, Center of Tax Justice and Budget Priorities, PSPD
2017.12 ~ 2018.12	Member of National Economic Advisory Council
2010.10 ~ 2015.09	Associate Professor, School of Economics, CNU
2006.10 ~ 2010.09	Assistant Professor, School of Economics, CNU
2015.10 ~ 현재	충남대학교 경제학과 교수
2016.01 ~ 현재	참여연대 조세재정개혁센터 소장
2017.12 ~ 2018.12	국민경제자문회의 자문위원
2010.10 ~ 2015.09	충남대학교 경제학과 부교수
2006.10 ~ 2010.09	충남대학교 경제학과 조교수

Profile of Participants

연 사 소개

Session 2. Transition to an Innovation-driven Economy



Speaker (Panelist for Panel Discussion)

Vincent Koen

Country Studies Division Chief, OECD

빈센트 코엔

OECD 국가분석실장

2008 ~ Present	Division Chief covering China, India, Japan, Korea, Indonesia, Thailand, Malaysia, Turkey, New Zealand, Canada, Ireland, Austria, Switzerland, Sweden, Finland, Denmark
2005 ~ 2008	Economic Counsellor to the OECD Chief Economist
2001 ~ 2005	Senior Economist, OECD, Main author of the Economic Outlook and G10 Secretary
1995 ~ 2001	Senior Economist, OECD, EU/Euro Area, United Kingdom, France, Russia, Poland
1990 ~ 1995	Economist, IMF, European and Research Departments
2008 ~ 현재	OECD 국가분석실장(중국, 인도, 일본, 한국, 인도네시아, 태국, 말레이시아, 터키, 뉴질랜드, 캐나다, 아일랜드, 오스트리아, 스위스, 스웨덴, 핀란드, 덴마크 담당)
2005 ~ 2008	OECD 수석이코노미스트 경제자문관
2001 ~ 2005	OECD 선임이코노미스트(OECD경제전망 주 저자 및 G10 총무)
1995 ~ 2001	OECD 선임이코노미스트(유럽연합/유로지역, 영국, 프랑스, 러시아, 폴란드 담당)
1990 ~ 1995	IMF 유럽국, 연구국 이코노미스트

Session 2. Transition to an Innovation-driven Economy



Speaker

Suk In Chang

Senior Research Fellow, Korea Institute for Industrial
Economics & Trade (KIET)

장석인

산업연구원 선임연구위원

2018.08 ~ Present	Member of the Committee on Regulation of New Industry, Ministry of Economy and Finance, Innovation and Growth Headquarters
2018.03 ~ Present	Member for the Regional Industrial Crisis Review Committee of Ministry of Trade, Industry and Energy
2017.07 ~ Present	Member of Special Committee on Cooperation in Multi-Joint Technology, Ministry of Science, Technology, Information and Communication
2016.03 ~ Present	Member of General Division of the New Industrial Regulatory Reform Committee, Office for Government Policy Coordination
2011.06 ~ 2013.06	Director, Center for Industrial Economics & Policy Studies, KIET
2018.08 ~ 현재	기획재정부 혁신성장본부 자문위원
2018.03 ~ 현재	산업통상자원부 지역산업위기심의위원회 위원
2017.07 ~ 현재	과학기술정보통신부 다부처공동기술협력특별위원회
2016.03 ~ 현재	국무조정실 신산업규제개혁위원회 총괄분과 위원
2011.06 ~ 2013.06	산업연구원 산업경제연구센터 센터장

Profile of Participants

연 사 소 개

Session 2. Transition to an Innovation-driven Economy



Discussant

Jae-Yong Choung

Professor, KAIST

정재용

KAIST 교수

2001.02 ~ Present	Professor, College of Business, KAIST
2019.03 ~ Present	ICT Endowed Chair, KAIST
2018.03 ~ Present	Member, The National Academy of Engineering of Korea
2018.02 ~ 2019.03	President, The Korea Society for Innovation Mgt. & Economics
2013.03 ~ 2018.03	Associate Editors-in-Chief, Asian Jr. of Technology Innovation
2011.05 ~ 2016.07	Director, Post Catch-up Innovation Res. Center (PCRC), KAIST
2005.05 ~ 2007.08	Director, ITRC Center for Tech. & Innovation Policy (CTIP), KAIST
1998.10 ~ 2001.02	Team Leader, Technology Management Institute, ETRI
2001.02 ~ 현재	KAIST 경영대학 기술경영학부 교수
2019.03 ~ 현재	KAIST ICT 석좌교수
2018.03 ~ 현재	공학한림원 회원
2018.02 ~ 2019.03	기술경영경제학회 27대 회장
2013.03 ~ 2018.03	Asian Journal of Technology Innovation 부편집장
2011.05 ~ 2016.07	KAIST 탈추격혁신연구센터장
2005.05 ~ 2007.08	KAIST ITRC IT 기술혁신정책연구센터장
1998.10 ~ 2001.02	ETRI 기술경제연구소 기술정책팀장

Session 3. Economic Growth and Quality of Life



Speaker (Panelist for Panel Discussion)

J. Allister McGregor

Professor, University of Sheffield, UK

알리스테르 맥그레거

영국 쉐필드대학교 정치경제학 교수

2015.08 ~ Present	Professor of Political Economy, Department of Politics, University of Sheffield, UK
2009 ~ 2015	Professorial Fellow and Director of Research, Institute of Development Studies (IDS), University of Sussex, UK
2009 ~ 2014	Team Leader of Vulnerability and Poverty Reduction Team, IDS, UK
2002 ~ 2008	Director, UK ESRC Research Group on Wellbeing in Developing Countries (WeD)
1987 ~ 2008	Lecturer and Senior Lecturer in International Development, Department of Economics and International Development, University of Bath, UK
2015.08 ~ 현재	영국 쉐필드대학교 정치학부 정치경제학 교수
2009 ~ 2015	영국 서섹스대학교 개발학연구소(IDS) 연구조정실장 겸 연구교수
2009 ~ 2014	영국 서섹스대학교 개발학연구소(IDS) 취약계층·빈곤감소팀 팀장
2002 ~ 2008	영국 경제사회연구위원회(ESRC) 개발도상국웰빙연구그룹 그룹장
1987 ~ 2008	영국 바스대학교 경제·국제개발학부 국제개발학 조교수

Session 3. Economic Growth and Quality of Life



Speaker

Hae-sik Jung

Research Fellow, Korea Institute for Health and Social Affairs
(KIHASA)

정해식

한국보건사회연구원 연구위원

2018.05 ~ Present	Head, Center for Pension Research, KIHASA
2017.02 ~ 2018.04	Head, Social Cohesion Research Center, KIHASA
2013.09 ~ 2018.06	Associate Research Fellow, KIHASA
2006.08 ~ 2009.02	Researcher, National Pension Research Institute
2018.05 ~ 현재	한국보건사회연구원 공적연금연구센터장
2017.02 ~ 2018.04	한국보건사회연구원 사회통합연구센터장
2013.09 ~ 2018.06	KIHASA 부연구위원
2006.08 ~ 2009.02	국민연금연구원 주임연구원

Session 3. Economic Growth and Quality of Life



Discussant

Wonhyuk Lim

Professor, KDI School of Public Policy and Management

임원혁

KDI국제정책대학원 교수

2018 ~ Present	Associate Dean, Development Research and International Cooperation, KDI School of Public Policy and Management
2014 ~ 2015	Executive Director, Center for Regulatory Studies, KDI
2013 ~ 2015	Director, Department of Competition Policy, KDI
2013 ~ 2015	Director, Global Economy TF, KDI
2008 ~ 2009	Director, Office of Development Cooperation, KDI
2018 ~ 현재	KDI 국제정책대학원 연구협력처장
2014 ~ 2015	KDI 규제연구센터소장
2013 ~ 2015	KDI 경쟁정책연구부장
2013 ~ 2015	KDI 글로벌경제연구실장
2008 ~ 2009	KDI 경제개발협력연구실장

Panel Discussion



Chair

Joonghae Suh

Senior Research Fellow, KDI

서중해

KDI 선임연구위원

2018.06 ~ Present	Executive Director, Economic Information and Education Center
2018.04 ~ Present	Civilian Member, Presidential Advisory Council on Science and Technology
2017.08 ~ Present	Co-Editor in Chief, The Korean Journal of Intellectual Property
2000.08 ~ Present	Senior Research Fellow, KDI
2012.03 ~ 2014.03	Senior Economist, Development Centre, OECD
2006.04 ~ 2008.02	Senior Advisor & Director General for Strategic Planning Bureau, Ministry of Planning and Budget, Republic of Korea
2018.06 ~ 현재	KDI 경제정보센터 소장
2018.04 ~ 현재	국가과학기술자문회의 민간위원
2017.08 ~ 현재	『지식재산연구』 공동편집위원장
2000.08 ~ 현재	KDI 선임연구위원
2012.03 ~ 2014.03	OECD Development Centre 선임이코노미스트
2006.04 ~ 2008.02	기획예산처 자문관 및 전략기획관

Panel Discussion



Panelist

Young Kyung Suh

Director General, Sustainable Growth Initiative (SGI), Korea Chamber of Commerce and Industry

서영경

대한상공회의소 경제연구원(SGI) 원장

2018.05 ~ Present
2016.08 ~ 2018.04
2013.07 ~ 2016.07

Director General, SGI, Korea Chamber of Commerce and Industry
Visiting Professor of Economics, Korea University
Deputy Governor for Research, Economic Statistics, and International Cooperation, Bank of Korea (BOK)

1988.01 ~ 2013.06
1988.01 ~ 2013.06

Director, Financial Markets Department, BOK
Manager, Research Department, Financial Markets Department, and Economic Research Institute, BOK

2018.05 ~ 현재
2016.08 ~ 2018.04
2013.07 ~ 2016.07
1988.01 ~ 2013.06
1988.01 ~ 2013.06

대한상공회의소 경제연구원(SGI) 원장
고려대학교 경제학과 초빙교수
한국은행 부총재보(조사국, 경제통계국, 국제협력국)
한국은행 금융시장국 부장
한국은행 조사국, 금융시장국, 경제연구원 과장

Profile of Participants

연 사 소개

Panel Discussion



Panelist

Sanghoon Ahn

Senior Research Fellow, KDI

안상훈

KDI 선임연구위원

2018.08 ~ Present	Senior Research Fellow, Department of Knowledge Economy, KDI
2017.08 ~ 2018.08	Senior Adviser to the Deputy Prime Minister, Ministry of Economy and Finance
2013.10 ~ 2015.09	Senior Economist, Directorate for Science, Technology and Innovation, OECD
2013.02 ~ 2013.07	Managing Director, KDI
2012.02 ~ 2013.01	Director and Vice President, Department of Industry and Competition Policy, KDI
2010.02 ~ 2011.11	Adviser, World Bank (Independent Evaluation Group)
2018.08 ~ 현재	KDI 지식경제연구부 선임연구위원
2017.08 ~ 2018.08	기획재정부 부총리자문관
2013.10 ~ 2015.09	OECD 선임이코노미스트
2013.02 ~ 2013.07	KDI 경영지원본부장
2012.02 ~ 2013.01	KDI 산업-경쟁정책연구부장
2010.02 ~ 2011.11	세계은행(World Bank, Independent Evaluation Group) 자문관



Session 1

Inequality and Inclusive Growth

세션 1

소득불평등과 포용적 성장

Chair ♦ 사회

Seh-Jin Chang Emeritus Professor, Inha University
장세진 인하대학교 명예교수

Presentation ♦ 발표

Jonathan Ostry Deputy Director, Asia and Pacific Department, IMF
조나단 오스트리 IMF 아시아태평양국 부국장

Sangyong Joo Professor, Konkuk University
주상영 건국대학교 교수

Discussion ♦ 토론

Seeun Jeong Professor, Chungnam National University
정세은 충남대학교 교수

Presentation 1

Confronting Inequality: How Societies Can Choose Inclusive Growth

발표 1

소득불평등, 원인과 대응

Jonathan Ostry

Deputy Director, Asia and Pacific Department, IMF

조나단 오스트리

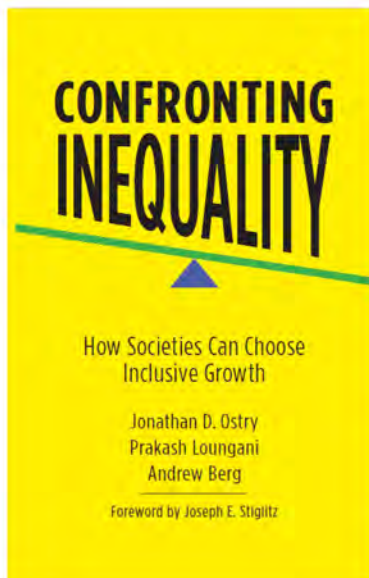
IMF 아시아태평양국 부국장

CONFRONTING INEQUALITY: HOW SOCIETIES CAN CHOOSE INCLUSIVE GROWTH

Jonathan D. Ostry
International Monetary Fund

Toward an Innovative and Inclusive Korea
Seoul, May 9, 2019

*Views expressed are my own and do not necessarily represent those of the IMF or IMF policy. This presentation is based on my book *Confronting Inequality: How Societies Can Choose Inclusive Growth* (Columbia University Press, 2019), co-authored with Prakash Loungani and Andy Berg.



"This book shows that, far from being either necessary or good for growth, inequality leads to weaker economic performance. These conclusions come from careful research conducted over several years."

► From the foreword by Joseph Stiglitz, Nobel Laureate in Economics

"The IMF has been an unlikely accompaniment to the chorus of voices speaking out against increasing inequality, influenced primarily by the work of these authors. Backed by sensible empirical work, their arguments deserve to be read and discussed widely."

► Raghuram G. Rajan, University of Chicago Booth School of Business

"We must move from assessing the effects of economic policies only on growth to assessing their effect on both growth and inequality. This book represents an important start at addressing the issue."

► Olivier Blanchard, former chief economist, International Monetary Fund

"Ostry, Loungani, and Berg have done some of the best empirical research on globalization, inequality, and economic growth. *Confronting Inequality* should be on the shelf of everyone who wants to understand the future of our economies."

► Dani Rodrik, Harvard University

Organization of the talk: Three messages

- Inequality undermines sustained growth
 - Insufficient to just 'go for growth'
 - A focus on distribution/inequality/inclusion is needed as well

- Economic policies within the control of governments determine inequality (five policy issues in the book, focus on two here)
 - Financial globalization
 - Fiscal policy/austerity

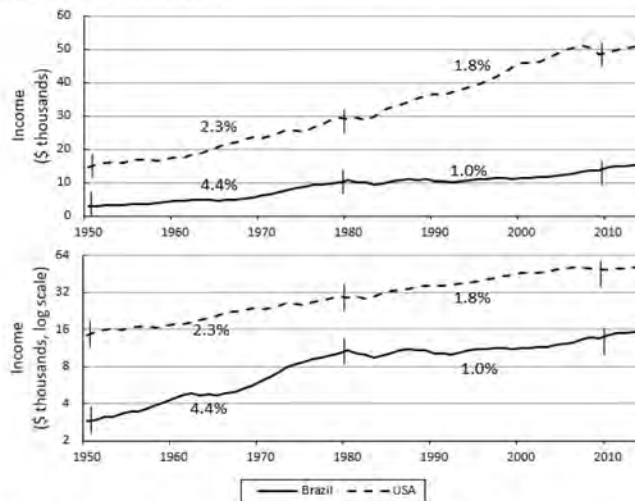
- We need remedies
 - Pre-distribution, and in-distribution are important, but slow to deliver results
 - Redistribution is also needed, and can be 'win-win': raising equity and growth

2

Mainstream macro focuses on differences in average incomes across countries ...

Figure 1.1: Average Incomes in the United States and Brazil, 1950-2014

Average incomes in Brazil are lower than those in the United States and have grown more slowly over the past three decades.



Sources: Authors' calculations based on data from Penn World Table version 9.0.

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... yes, there's inequality *within* countries: mainstream macro says "so what?"

Figure 1.2: Average U.S. Incomes for the Richest 1 Percent and the Other 99 Percent

In the United States, income grew much more rapidly for the top 1 percent than for the bottom 99 percent over 1980 to 2010, in contrast to the pattern over 1950 to 1980.



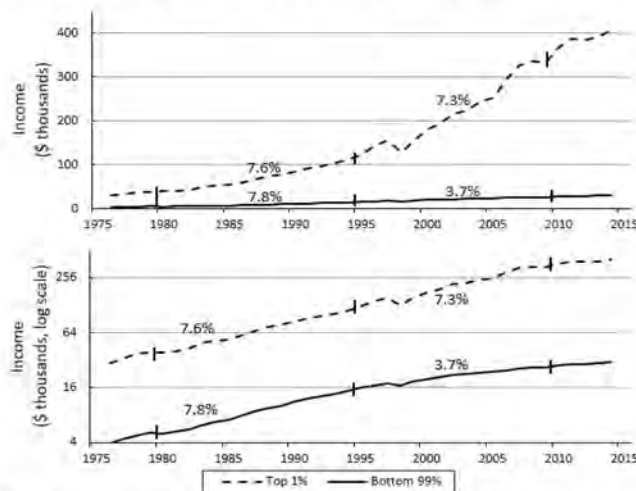
Sources: Authors' calculations based on data from Penn World Table version 9.0 and World Inequality Database.

4

A similar picture in Korea

Figure 1.3: Average Korean Incomes for the Richest 1 Percent and the Other 99 Percent

In Korea, income grew much more rapidly for the top 1 percent than for the bottom 99 percent over 1995 to 2010, in contrast to the pattern over 1980 to 1995.



Sources: Authors' calculations based on data from Penn World Table version 9.0 and World Inequality Database.

5

Lucas's advice ...

- “Of the tendencies that are harmful to sound economics, the most seductive, and in my opinion the most poisonous, is to focus on questions of distribution”
- “The potential for improving the lives of poor people by finding different ways of distributing current production is nothing compared to the apparently limitless potential of increasing production”

6

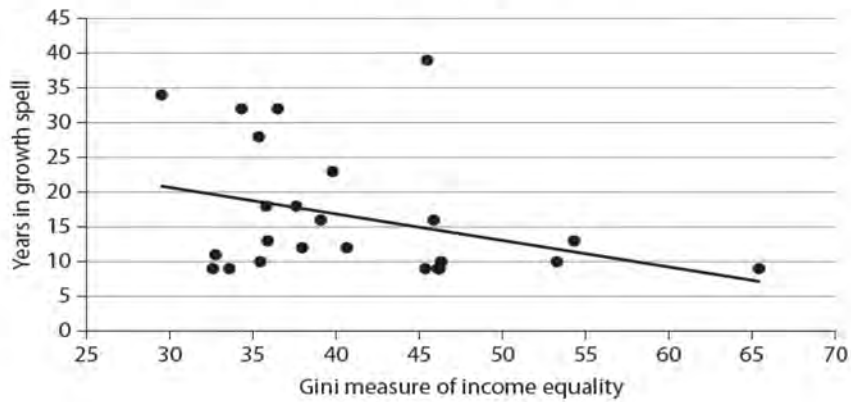
Message 1: Inequality undermines sustained growth

7

Inequality leads to fragile growth

FIGURE 3.3: Duration of Growth Spells and Inequality

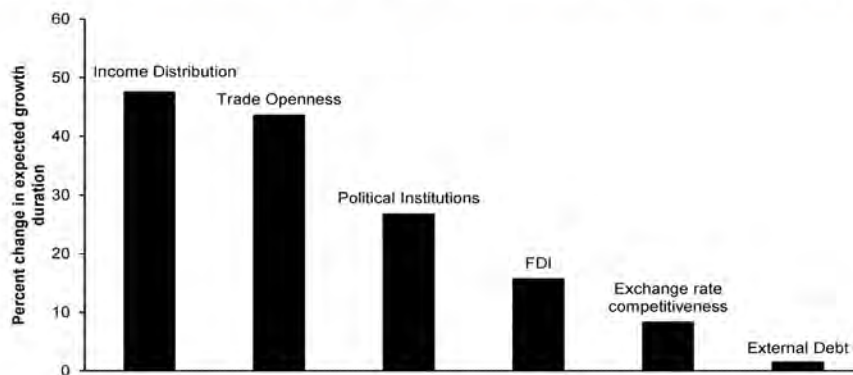
More inequality is associated with less sustained growth.



8

A More Equal Income Distribution Sustains Growth

The effect of increase of different factors on growth spell duration



9

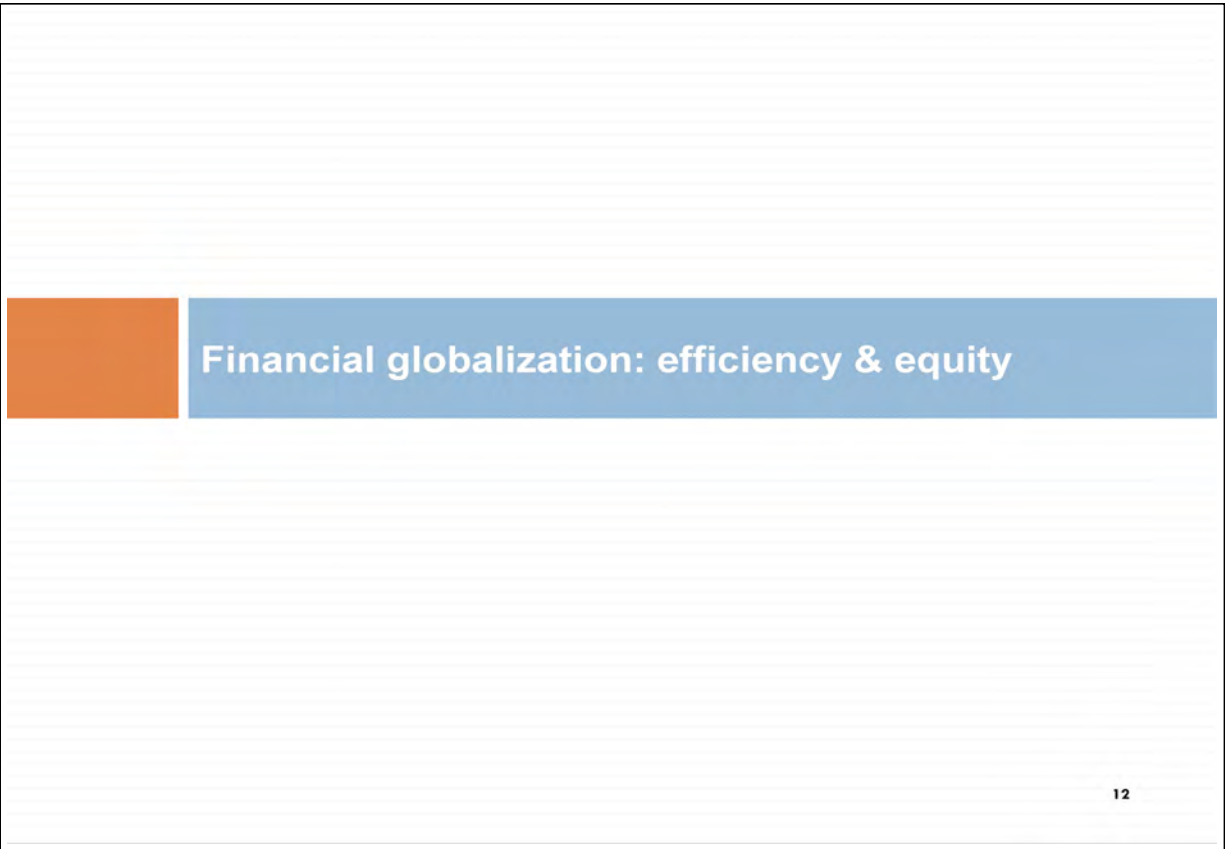
Message 2: Economic policies within the control of governments determine inequality

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Policies analyzed in the book

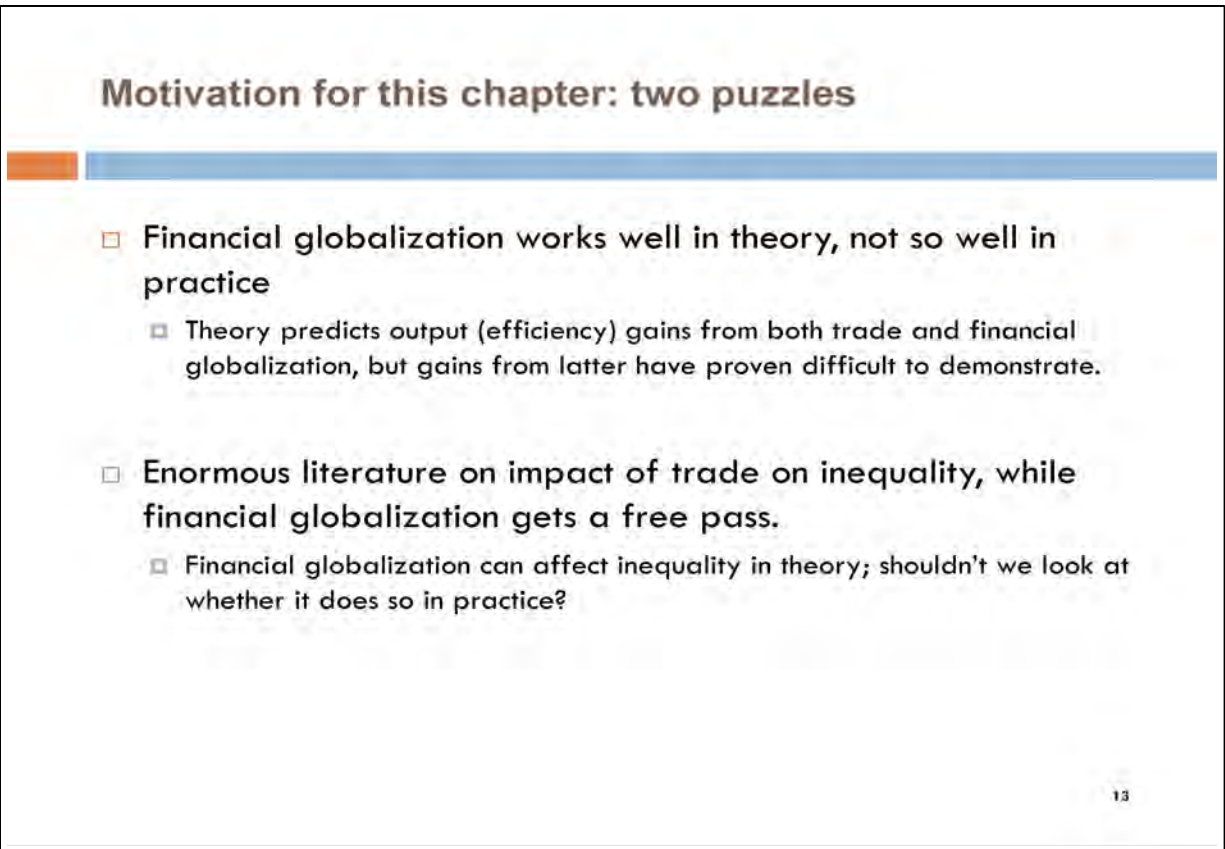
- Financial globalization
- Other structural policies
- 'Austerity' (fiscal consolidation)
- Monetary policy

11



Financial globalization: efficiency & equity

12



Motivation for this chapter: two puzzles

- Financial globalization works well in theory, not so well in practice
 - Theory predicts output (efficiency) gains from both trade and financial globalization, but gains from latter have proven difficult to demonstrate.
- Enormous literature on impact of trade on inequality, while financial globalization gets a free pass.
 - Financial globalization can affect inequality in theory; shouldn't we look at whether it does so in practice?

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Measuring Financial Globalization

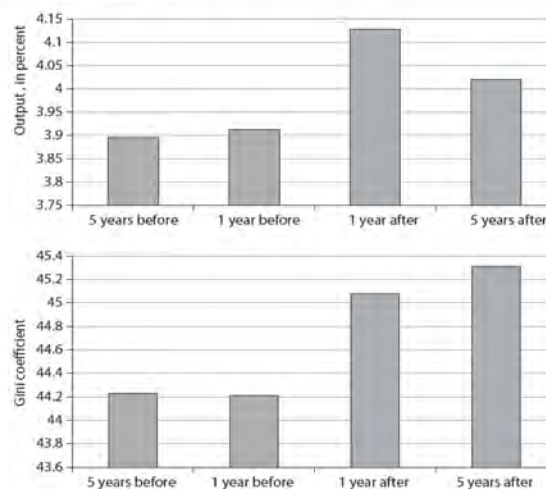
- Policy restrictions on cross-border transactions are reported in the *IMF's Annual Report on Exchange Arrangements and Exchange Restrictions (AREAER)* database.
- Information in *AREAER* is combined by Chinn and Ito to construct an index of capital account restrictions.
- We infer timing of major policy changes by looking at large changes in the Chinn-Ito index
- This criterion identifies 224 episodes (over 1970-2010)—the majority occurring in the early 90s (when inequality started to increase).

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Before and after episodes

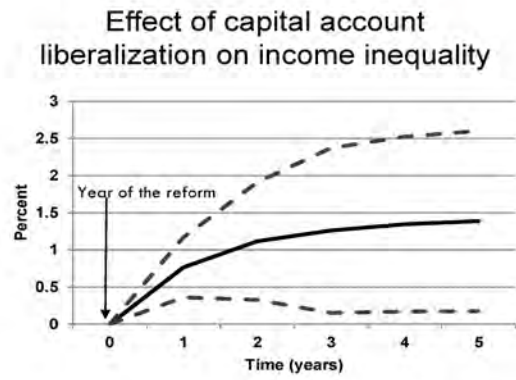
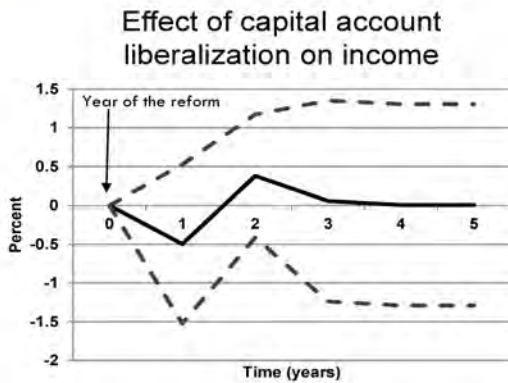
FIGURE 5.2. Growth and Inequality Before and After Capital Account Liberalizations

Output gains are small and short-lived whereas inequality increases persistently after capital account liberalization.



15

Financial globalization has a small impact on average incomes but increases income inequality

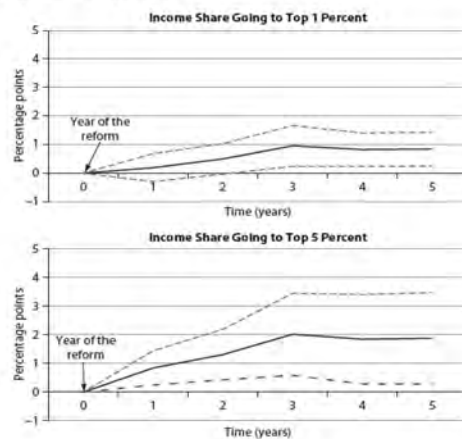


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Financial globalization raises the share of income going to the richest

FIGURE 5.4: The Effect of Capital Account Liberalization on the Top Income Shares

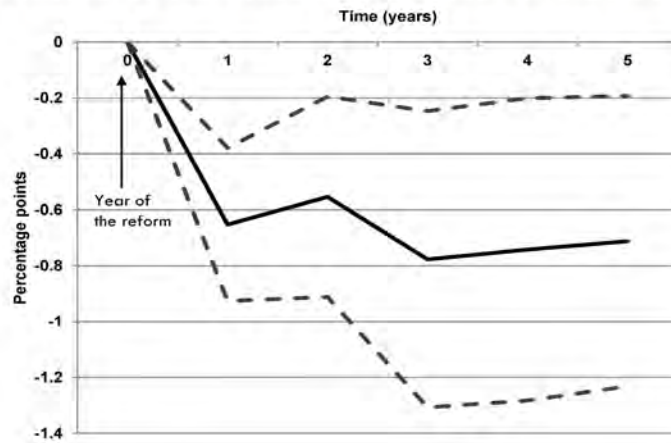
Capital account liberalization increases the shares of income owned by the top 1 percent, top 5 percent, and top 10 percent.



17

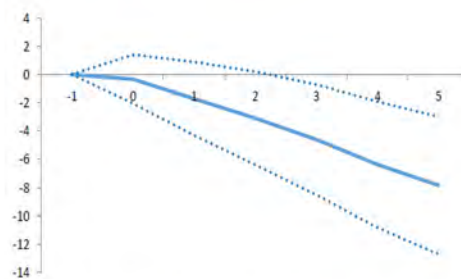
Financial globalization lowers labor's share of income

The effect of capital account liberalization on the labor share



18

Evolution of union density after capital account liberalization



Note: The solid lines indicate the response of output (inequality) to a capital account liberalization episode; the dotted lines correspond to 90% confidence bands. The x-axis denotes time. $t=0$ is the year of the reform. The estimates are based on equation (7), using as dependent variable union density—taken from the OECD labor market database.

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Evolving Views on Financial Globalization

- Rodrik (1998): letting capital flow freely across the world would leave economies “hostage to the whims and fancies of two dozen or so thirty-somethings in London, Frankfurt and New York.”
- Arteta, Eichengreen and Wyplosz (2001): evidence of a positive association between capital account liberalization and growth is “decidedly fragile.”
- Martin Wolf (2004): “the gains [of financial globalization] have been questionable and the costs of crises enormous.”
- Krugman (May 2017): “financial globalization hasn’t been the force for good that trade has been”
- Gopinath (October 2017): “There is now a new consensus that capital account liberalizations are a mixed blessing”

20

Fiscal consolidation: efficiency & equity

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Measuring Fiscal Consolidation ('Austerity')

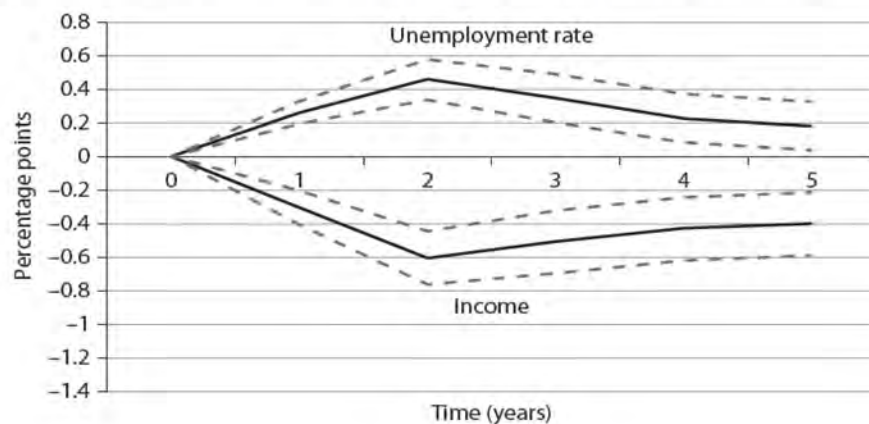
- Policy actions—tax hikes or spending cuts—taken by governments with the intent of reducing the budget deficit.
- Measure based on narrative histories of policy intent (rather than budget outcomes).
- 173 episodes of fiscal consolidation for 17 OECD economies from 1978 to 2009.

22

Austerity is followed by a decline in average incomes and an increase in unemployment in the 'short-run'

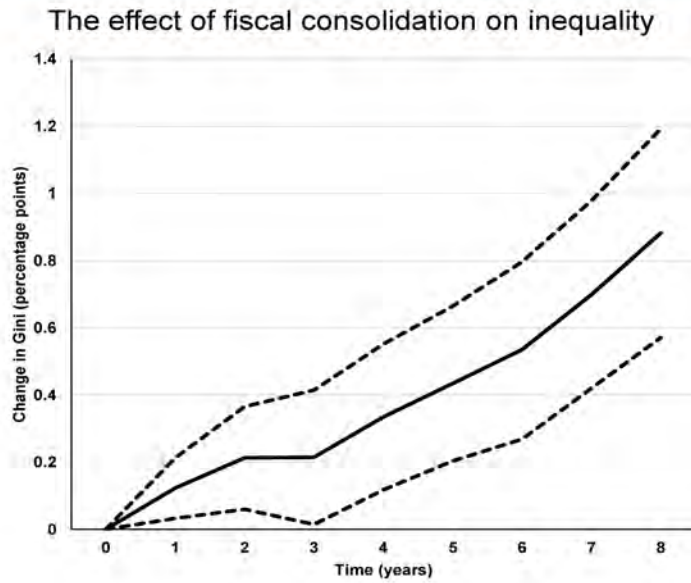
FIGURE 6.1: Effect of Fiscal Consolidation on Income and Unemployment

Fiscal consolidation reduces incomes and raises unemployment in the short run.



23

Austerity is followed by an increase in income inequality



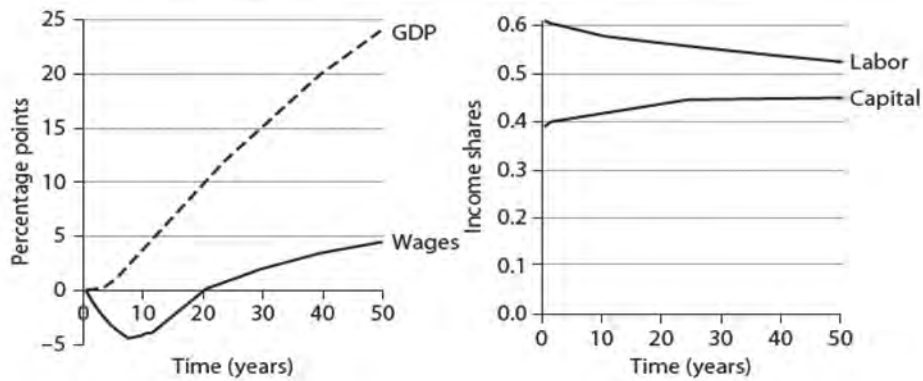
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Message 3: We need remedies for (extreme) inequality

25

Robots and inequality: results from a model in which robots do a bit of everything

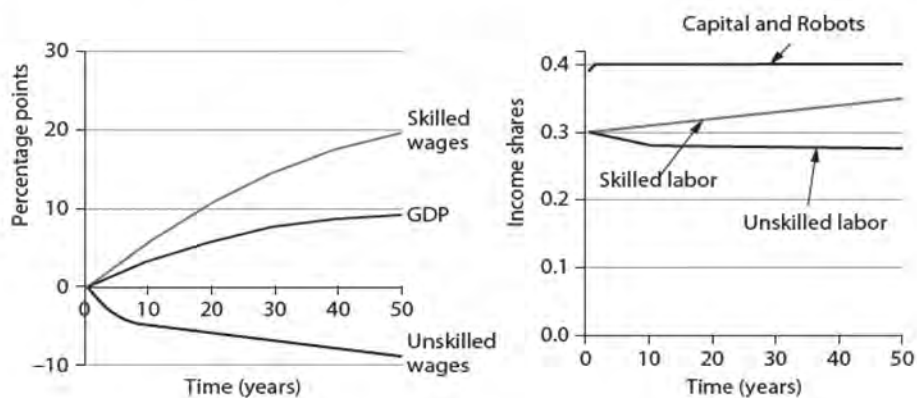
An increase in the efficiency of robots eventually raises wages—after twenty years—but lowers labor's share of income.



26

Robots and inequality: results from a model with skilled and unskilled labor

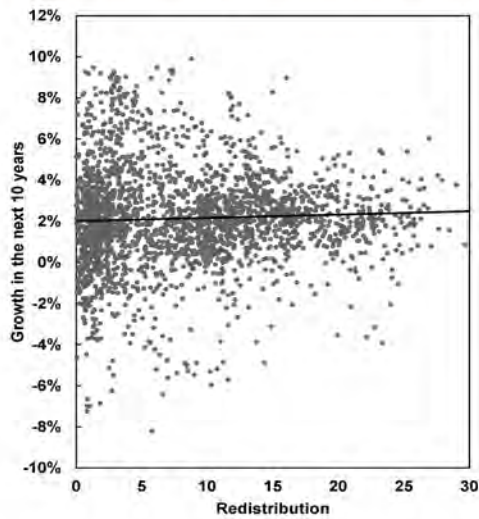
Increased robot efficiency lowers wages of unskilled workers and their share of income



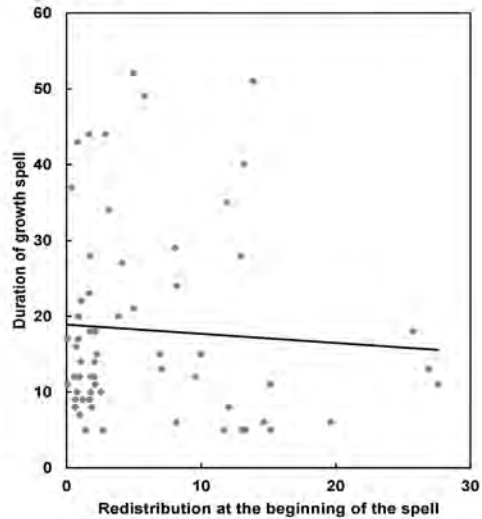
27

There is at best a weak relationship between redistribution and growth or growth duration

Growth and redistribution



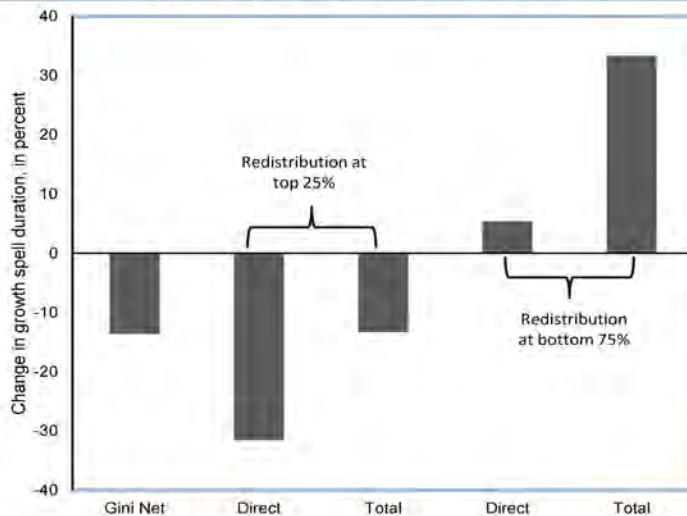
Redistribution and the duration of growth



28

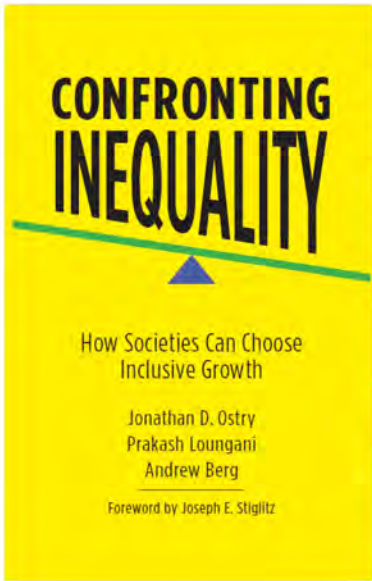
Redistribution, unless extreme, can be a win-win policy

The effect of inequality and redistribution on growth spell duration (10 percentile increase in each variable)



• For large redistributions, the estimated negative effect of redistribution on growth duration is somewhat larger than the estimated positive effect of the resulting reduction in inequality

• For smaller redistribution (less than 13 Gini points) the overall effect is growth-positive: roughly neutral direct effects of redistribution, and a protective effect of the resulting reduction in inequality



**CONFRONTING
INEQUALITY**

How Societies Can Choose
Inclusive Growth

Jonathan D. Ostry
Prakash Loungani
Andrew Berg

Foreword by Joseph E. Stiglitz

"Ostry, Loungani, and Berg have done some of the best empirical research on globalization, inequality, and economic growth. *Confronting Inequality* should be on the shelf of everyone who wants to understand the future of our economies."

► Dani Rodrik, Harvard University

"Ostry, Loungani, and Berg tell a compelling story—in a pithy, accessible way—about how inequality hurts economic growth and stability and how to design policies to deliver a more inclusive growth."

► Heather Boushey, executive director and chief economist,
Washington Center for Equitable Growth

"Coming from the top IMF economists, this new approach may herald a major change in global policies such that attention is paid to both growth and equality."

► Branko Milanović, The Graduate Center, CUNY

"A cogent and concise summary of what we know about inequality and about how to reduce it."

► Jeffrey Frieden, Harvard University

30



Session 2

Transition to an Innovation-driven Economy

세션 2

혁신주도형 경제로의 이행

Chair ♦ 사회

Seh-Jin Chang Emeritus Professor, Inha University
장세진 인하대학교 명예교수

Presentation ♦ 발표

Vincent Koen Country Studies Division Chief, OECD
빈센트 코엔 OECD 국가분석실장

Suk In Chang Senior Research Fellow, Korea Institute for Industrial
Economics & Trade
장석인 산업연구원 선임연구위원

Discussion ♦ 토론

Jae-Yong Choung Professor, KAIST
정재용 KAIST 교수

Presentation 1

Rebooting the Miracle on the Han River

발표 1

새로운 한강의 기적: 기회와 과제

Vincent Koen

Country Studies Division Chief, OECD


빈센트 코엔

OECD 국가분석실장



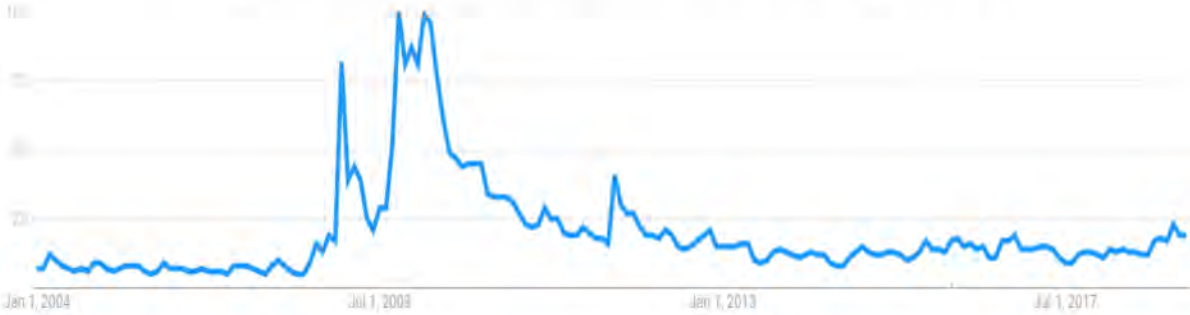
REBOOTING THE MIRACLE ON THE HAN RIVER

Presentation at the KDI Conference
Towards an Innovative and Inclusive Korea
Seoul, 9 May 2019
Vincent KOEN
OECD Economics Department



A downbeat global context

Frequency of occurrence of the word recession in worldwide Google searches



Numbers represent search interest relative to the highest point on the chart for the given region and time. A value of 100 is the peak popularity for the term. A value of 50 means that the term is half as popular.

Source: <https://trends.google.com/trends>

2



OECD Interim Outlook

FINANCIAL TIMES
Eurozone economy
OECD slashes eurozone growth forecasts
Big downgrade in expectations for Germany and Italy

Frankfurter Allgemeine
OECD senkt Prognose für deutsche Wirtschaft

LA STAMPA
L'Ocse: Italia in recessione nel 2019

finanzen.nl
OESO verlaagt economische vooruitzichten

Le Monde
Coup de froid sur l'économie mondiale
Pour la zone euro, l'OCDE ne mise plus que sur une croissance de 1% en 2019

The Guardian
No-deal Brexit would plunge UK economy into recession - OECD
Annual growth will fall below 1% for first time in decade even with a deal, says thinktank

EL UNIVERSAL
OCDE reduce su estimado de expansión para México

THE GLOBE AND MAIL
In battle to fight slowing growth, governments are running out of ammunition

NORD
OECD: Handelskrig og brexit dempar farten i erdsokonomien

ВЕДОМОСТИ
ОЭСР ухудшила прогноз роста российской и глобальной экономики

KURZYCZ
OECD sniżuje letošni výhled hospodářského růstu

www.news.cn 新华网 NEWS
OECD cuts global growth forecast in 2019 on fragile European economies, weak trade

EL PAÍS
OCDE reducez fortemente a previsão de crescimento da zona do euro em 2019


WALL STREET JOURNAL
U.S.-China Trade Deal Expected to Give Limited Boost to Growth
OECD cuts growth forecasts for the global economy

NIKKEI
日本の実質成長率2019年0.8%に下方修正 OECD


YONHAP
OECD cuts growth outlook for S. Korea's economy to 2.6%

YENİCAG
Dünya: Türkiye ekonomisi için korkutan yorum!

RZECZPOSPOLITA
OECD trnie prognozy dla globalnej gospodarki



Most G20 economies revised down



OECD Interim Economic Outlook Projections

Year-on-year, %. Arrows indicate the direction of revisions since November 2018.

	2018	2019	2020		2018	2019	2020
World	3.6	3.3	3.4	G20	3.8	3.5	3.7
Australia	2.8*	2.7	2.5	Argentina	-2.5	-1.5	2.3
Canada	1.8	1.5	2.0	Brazil	1.1	1.9	2.4
Euro area	1.8	1.0	1.2	China	6.6	6.2	6.0
Germany	1.4	0.7	1.1	India ¹	7.0	7.2	7.3
France	1.5	1.3	1.3	Indonesia	5.2	5.2	5.1
Italy	0.8	-0.2	0.5	Mexico	2.1	2.0	2.3
Japan	0.8*	0.8	0.7	Russia	2.3	1.4	1.5
Korea	2.7	2.6	2.6	Saudi Arabia	2.0	2.1	2.0
United Kingdom	1.4	0.8	0.9	South Africa	0.8	1.7	2.0
United States	2.9	2.6	2.2	Turkey	2.6*	-1.8	3.2

Dark red for downward revisions of 0.6 percentage points and more. Dark green and dark orange for, respectively, upward and downward revisions of 0.3 percentage points and more but less than 0.6 percentage points. Light green and light orange for, respectively, upward and downward revisions of less than 0.3 percentage points. The European Union is a full member of the G20, but the G20 aggregate only includes countries that are also members in their own right.
1. Fiscal years starting in April. * Update.



Black swans and grey rhinos



The balance of risks is clearly tilted towards the downside, depressing sentiment and animal spirits.


Risks and uncertainties include:

- An intensification of trade restrictions, notably for cars
- A disorderly Brexit
- Worse than expected performance in the euro area
- A sharper than foreseen deceleration in China
- Further increases in imported oil and condensate prices
- Renewed financial stress


Most of these risks are not independent and their impact would be much worse if they materialised jointly.

North Korea wild card: risk or opportunity?

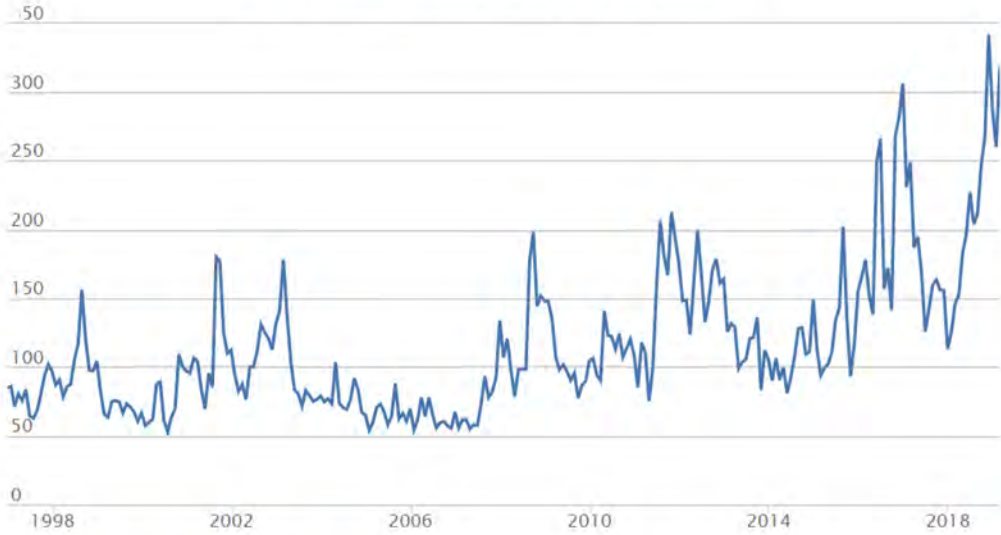
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Policy uncertainty

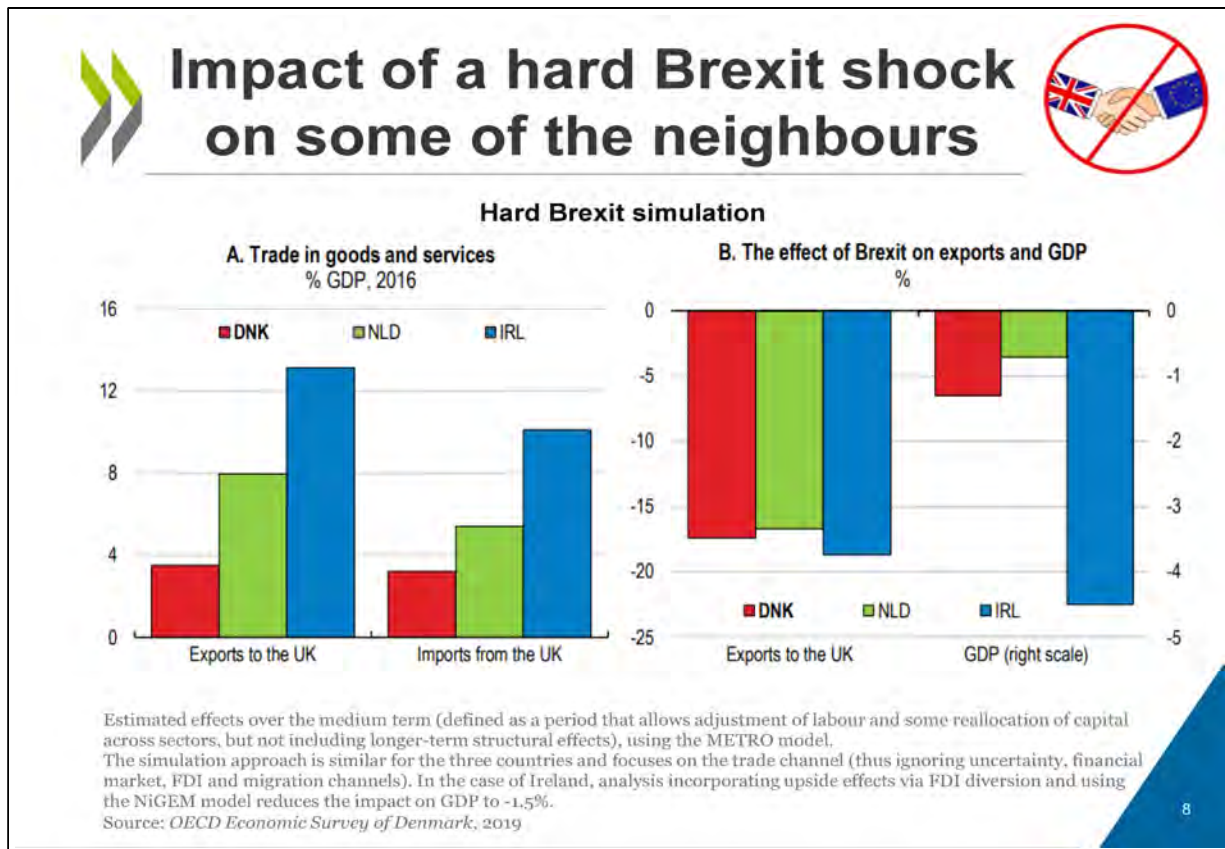
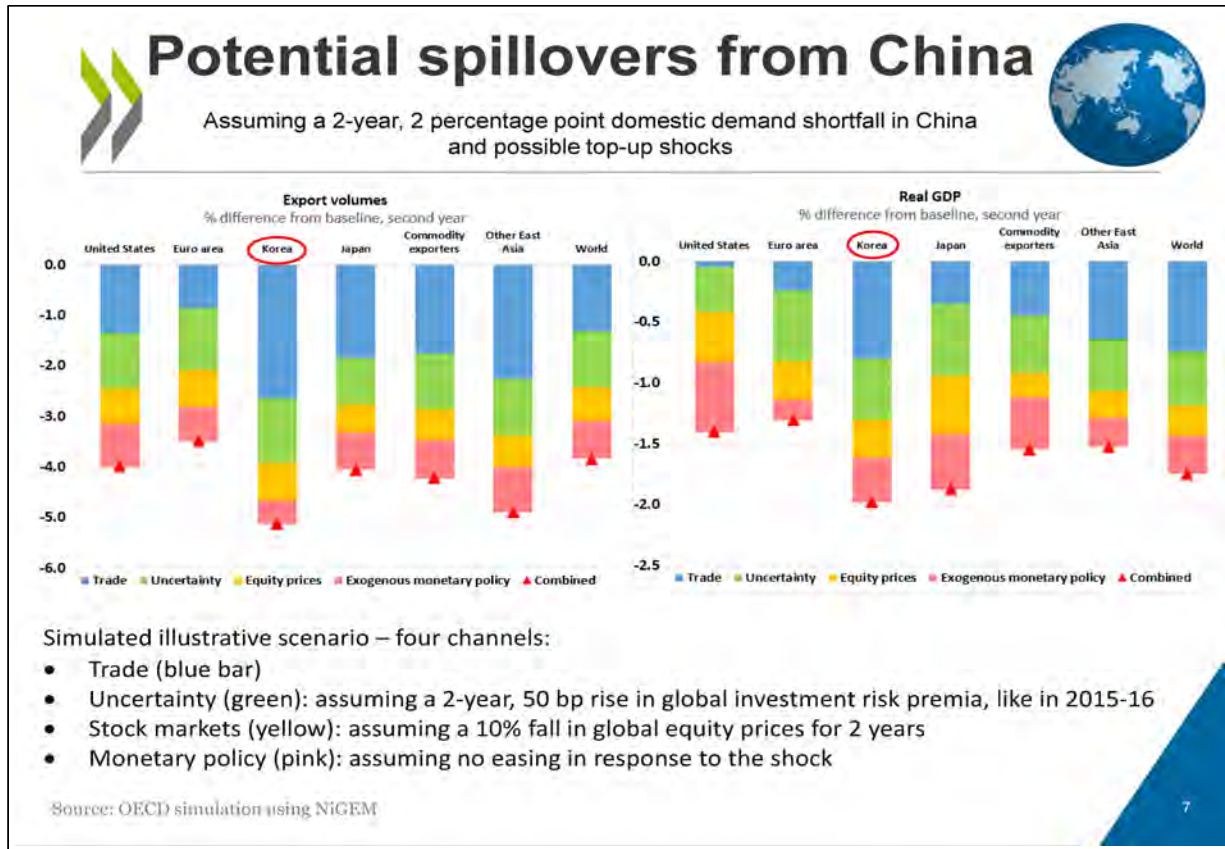


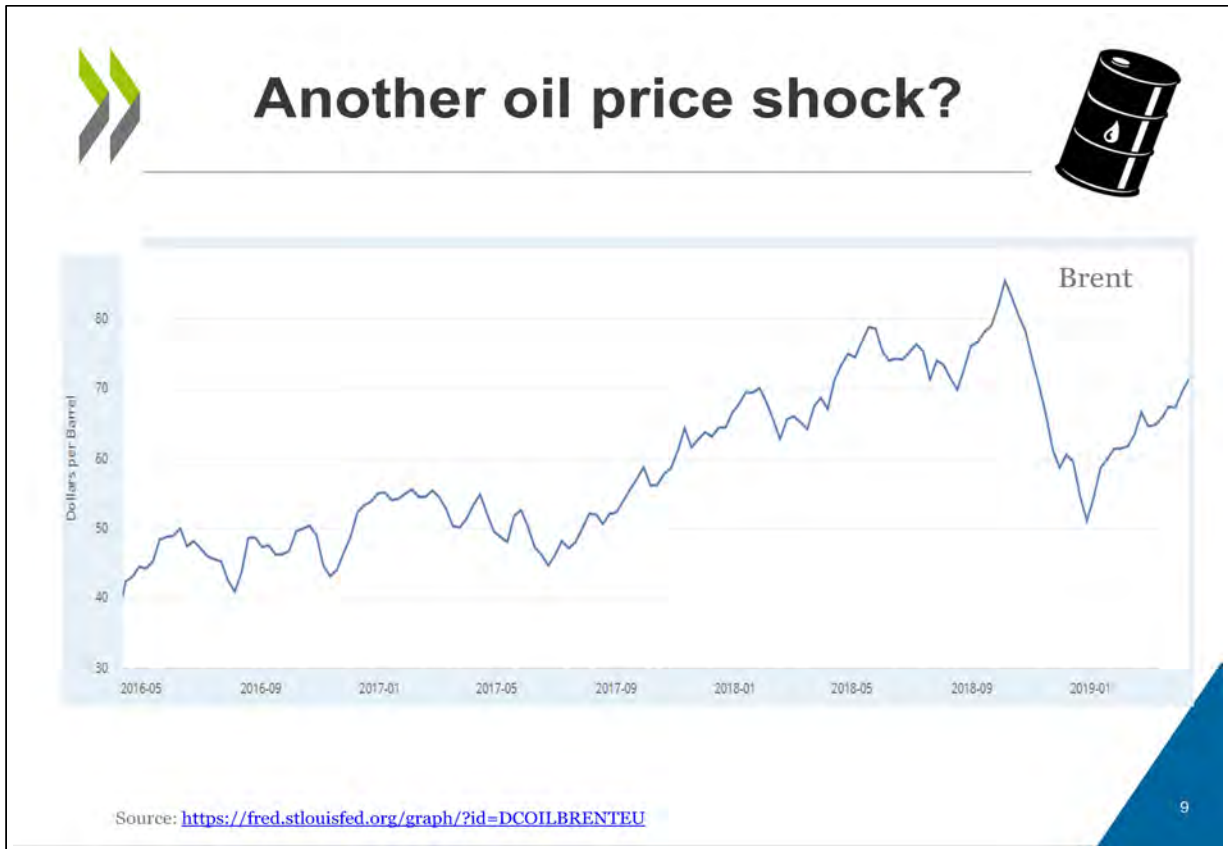
Monthly Global Economic Policy Uncertainty Index

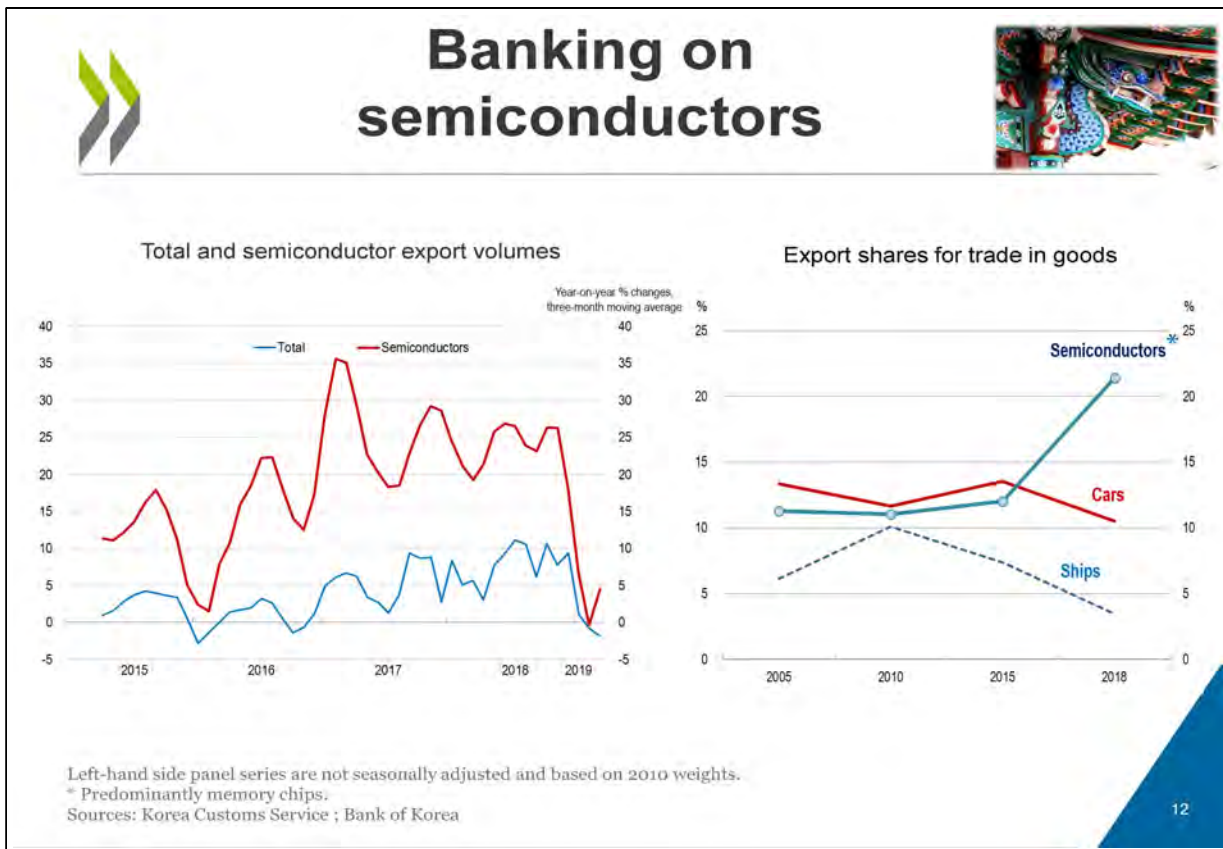
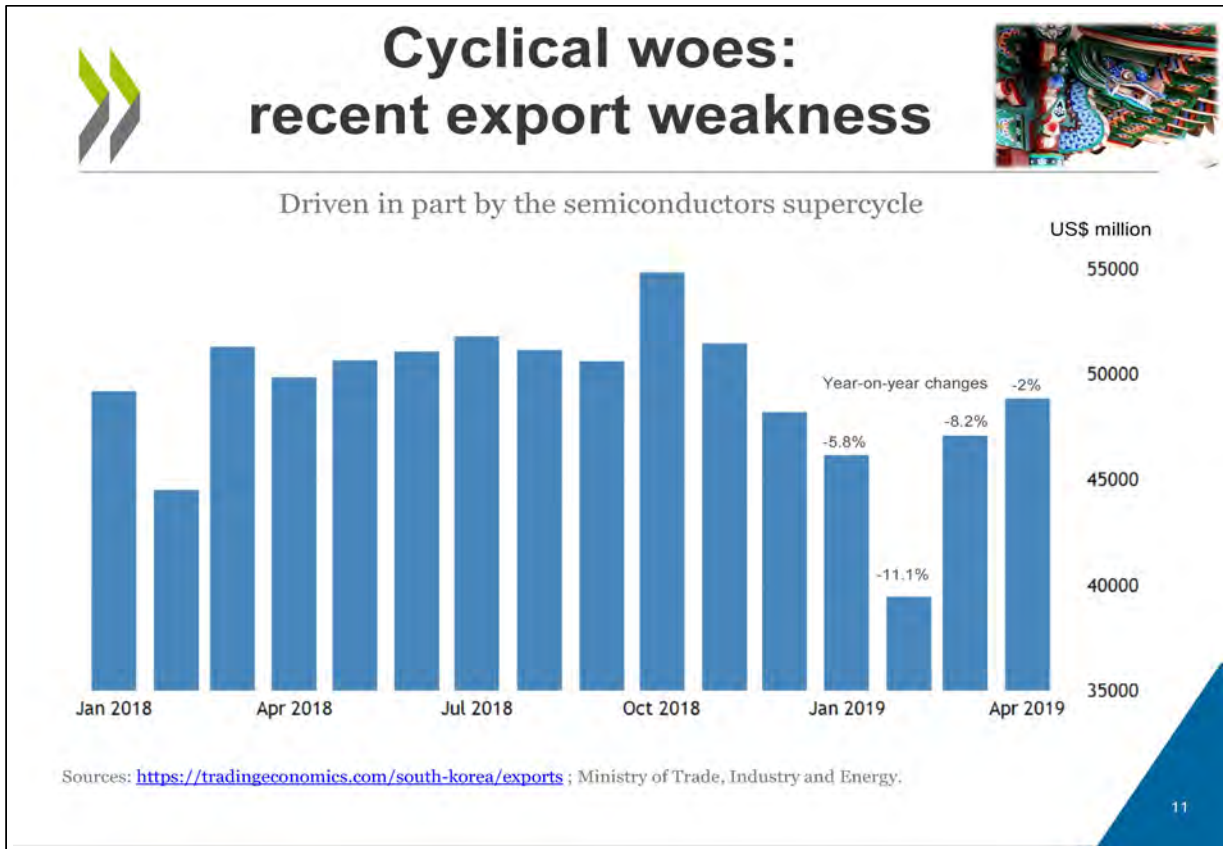


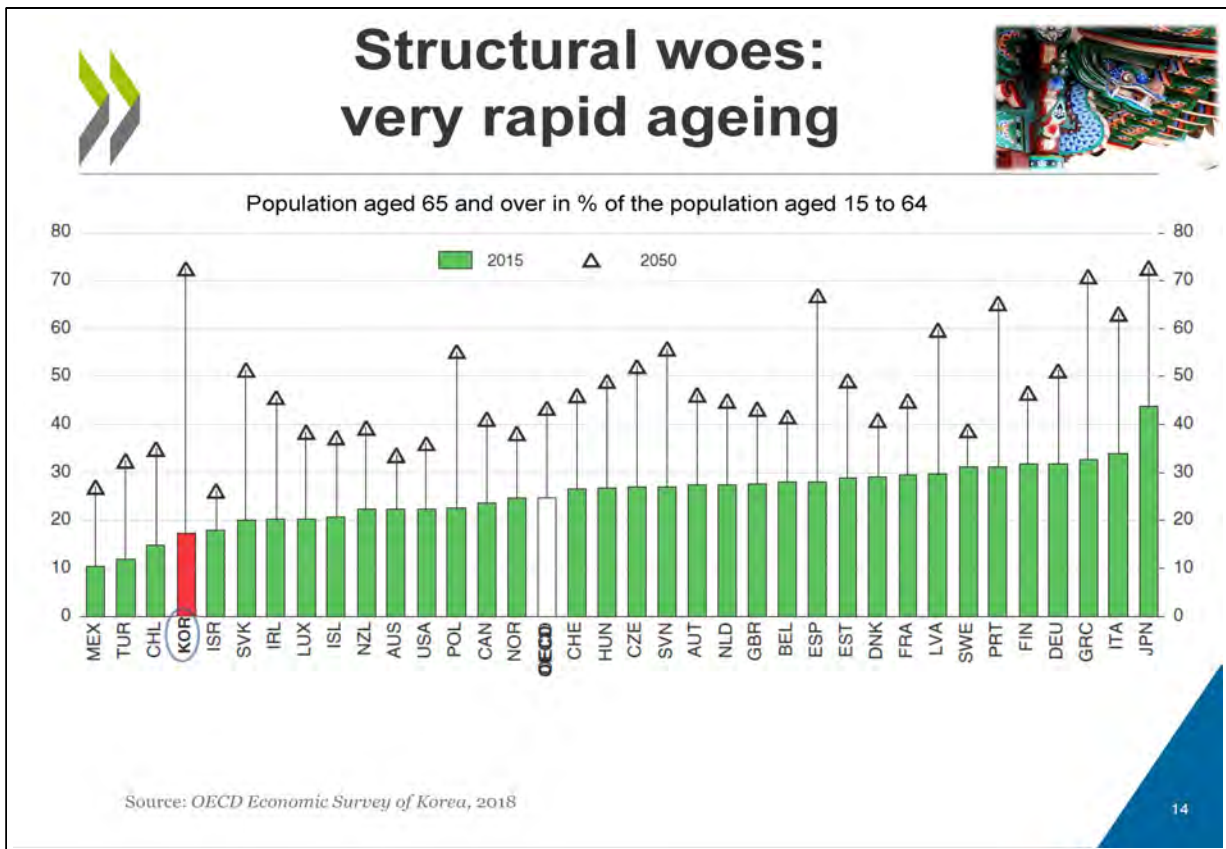
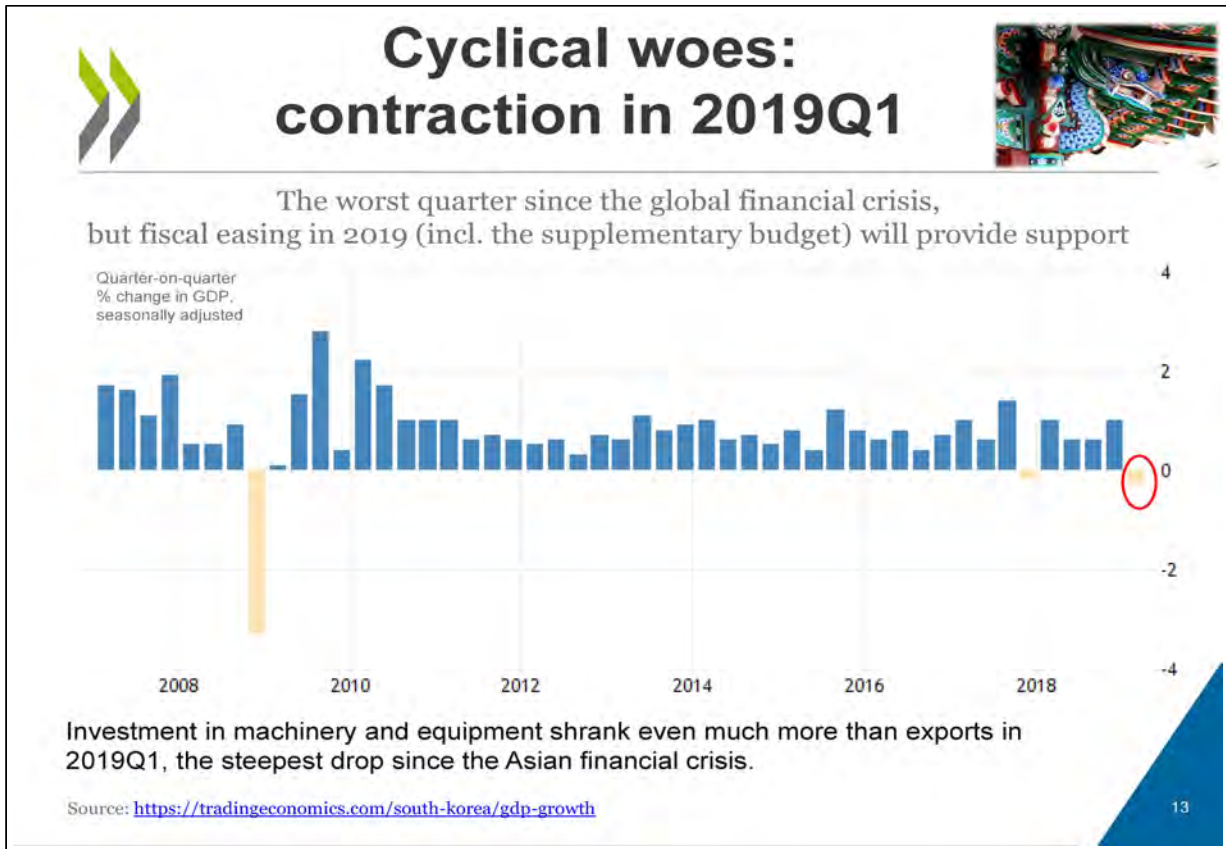
Source: www.policyuncertainty.com

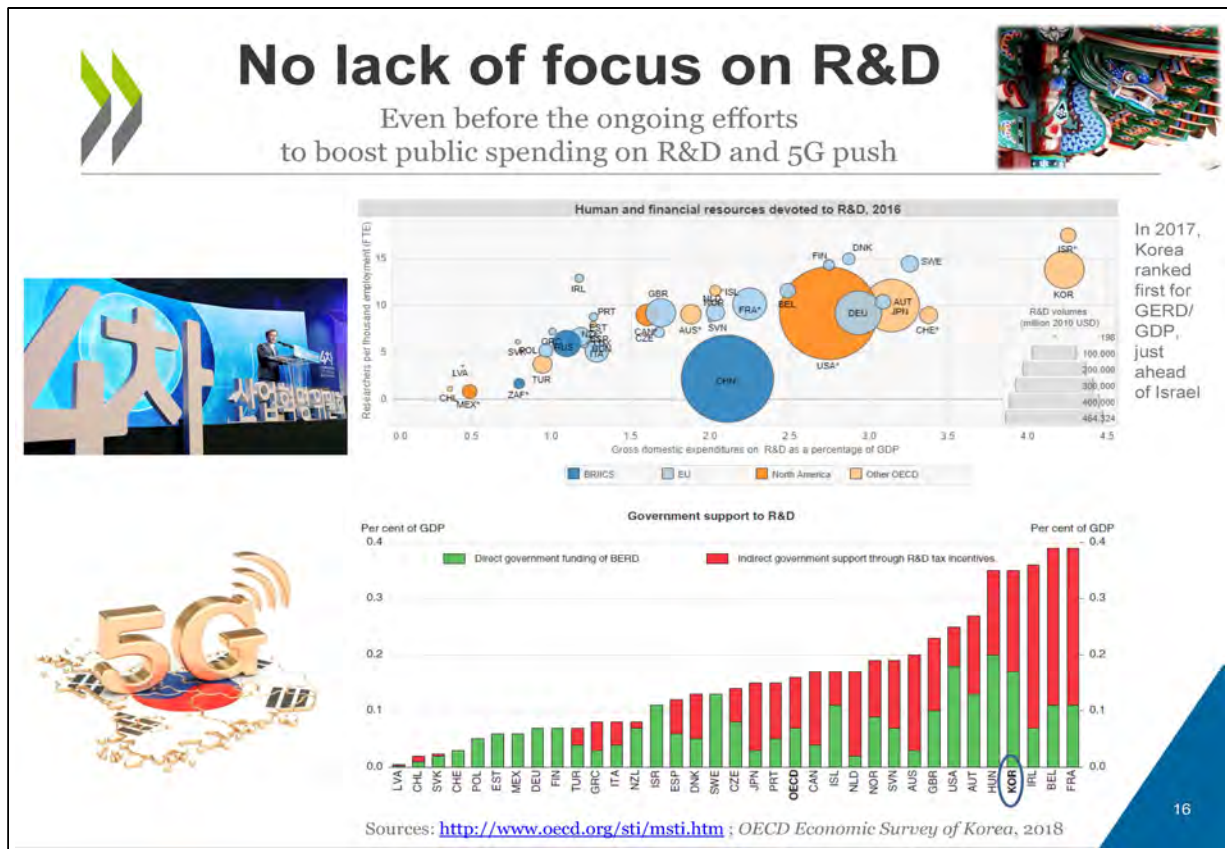
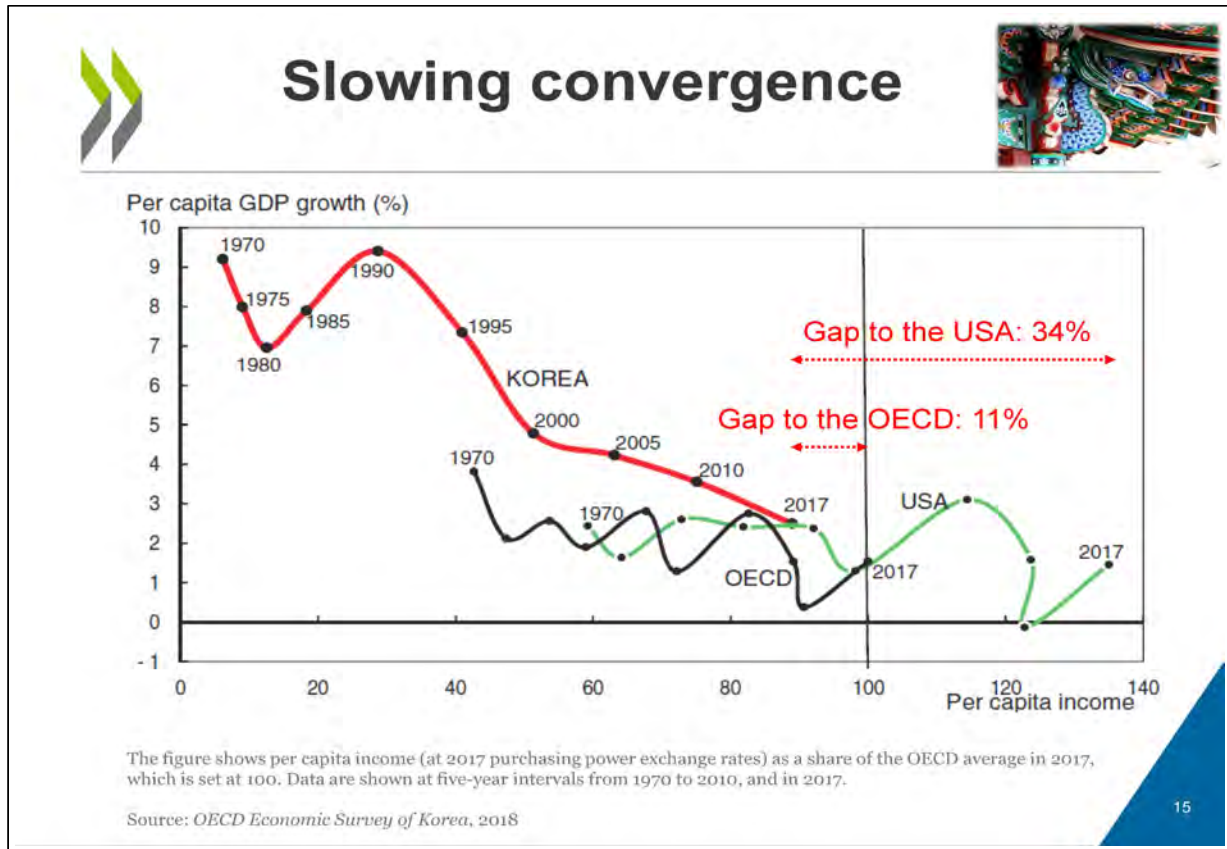
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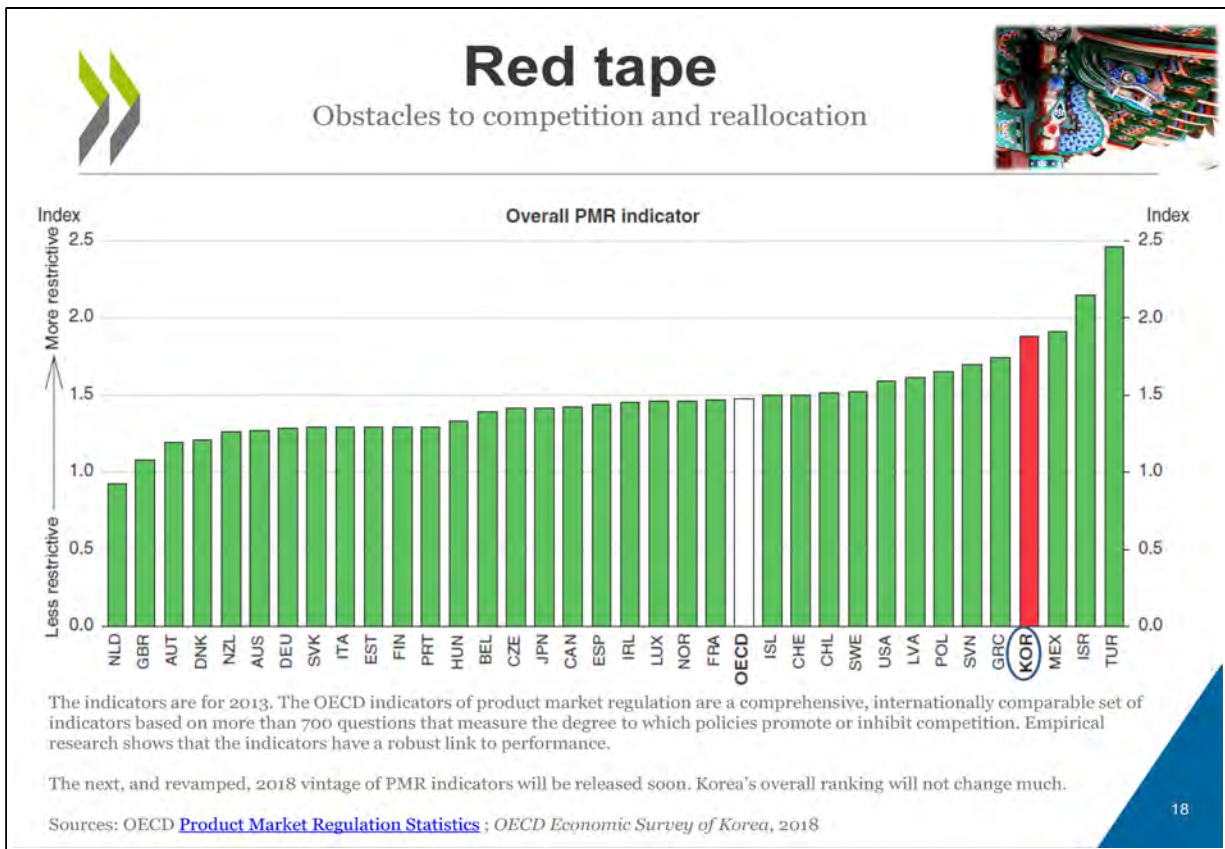
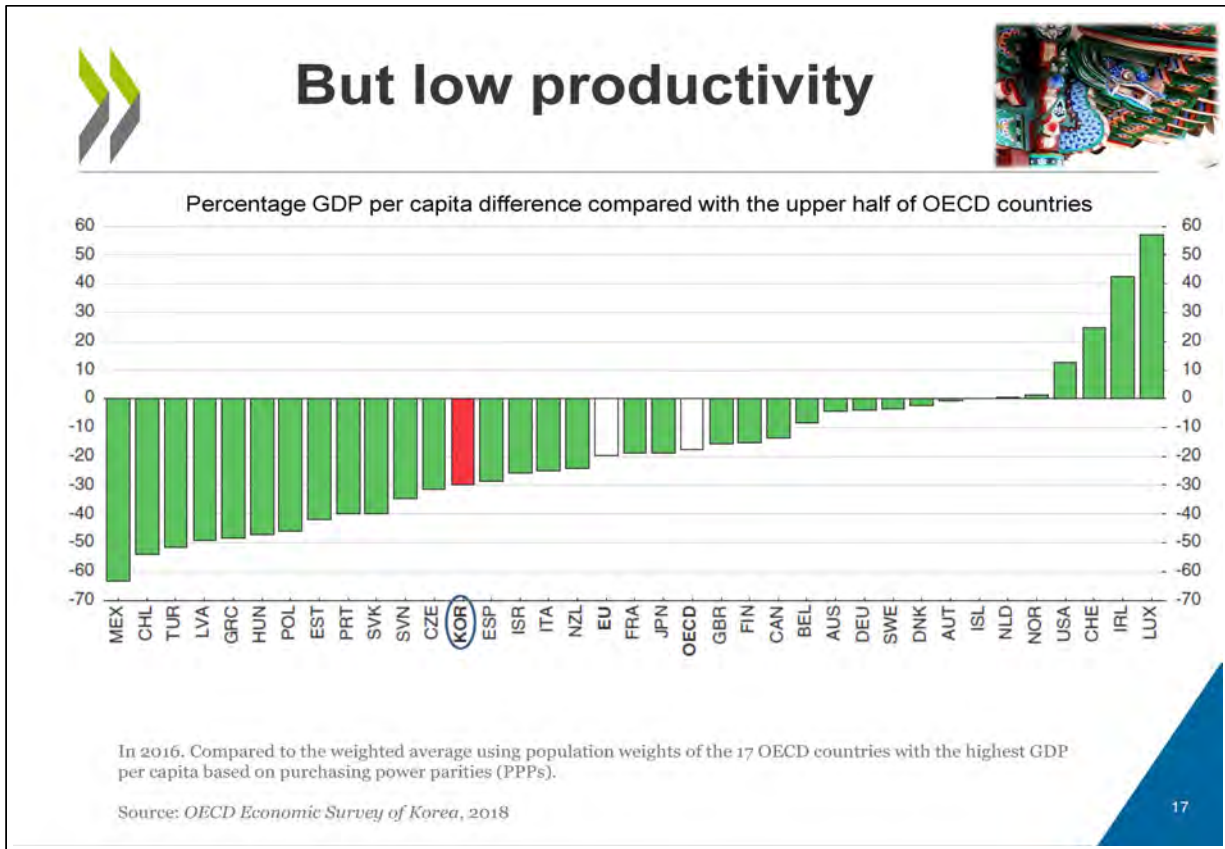














Recent action on this front: regulatory sandboxes



Based on an "approve first, regulate later" approach.

Provides space for experimentation with new business models or new technologies while allowing regulators to identify potential regulatory issues early on.

Countries	Coverage	Review period and approval results
	Financial + ICT + industrial sector + regional innovation area	<ul style="list-style-type: none"> - Review within 3 months - Approved 26 applicants since Jan. 2019
	Financial + energy sector	<ul style="list-style-type: none"> - Review within 6 months on average - Approval of 40 cases per year on average
	Financial + energy sector	<ul style="list-style-type: none"> - Approved 6 cases since 2016
	Financial + some industrial areas	<ul style="list-style-type: none"> - Review within 6 months on average - Approved 6 cases since 2016

Source: Financial Services Commission

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Approved sandboxes Energy sector




From two to six hydrogen filling stations in Seoul




Source: [Hydrogen charging stations added in Seoul under regulatory sandbox cases](https://pulsenews.co.kr), pulsenews.co.kr, 12 Feb. 2019

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Approved sandboxes Financial services




1. Convenient, low-cost financial services combined with mobile communication services
[KB Kookmin Bank](#)
2. Stock lending platform based on blockchain technology offering stock lending and borrowing services for individual investors [Directional](#)
- 3&4. Online travel insurance renewal service [NH Property and Casualty Insurance / Rainist](#)
5. Credit card based money transfer service using PayFan application [Shinhan Card](#)
6. Credit card payment service using QR codes for unregistered small stores such as street vendors [BC Card](#)
7. Credit assessment using Shinhan Card's affiliate merchant data [Shinhan Card](#)
8. Online easy payment service using mobile text message verification [Payple](#)
9. P2P finance service for local residents to invest in new renewable energy generation businesses [Root Energy](#)

Source: Financial Services Commission, Nine Financial Service Providers Accepted into FSC's Regulatory Sandbox, Press Release, 17 April 2019

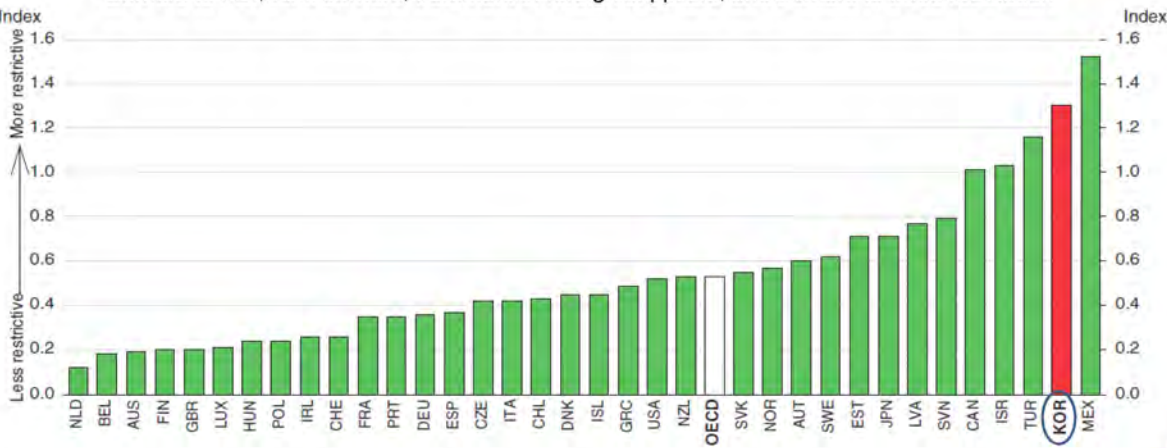
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Barriers to foreign trade and investment



Barriers to FDI, tariff barriers, treatment of foreign suppliers, and barriers to trade facilitation



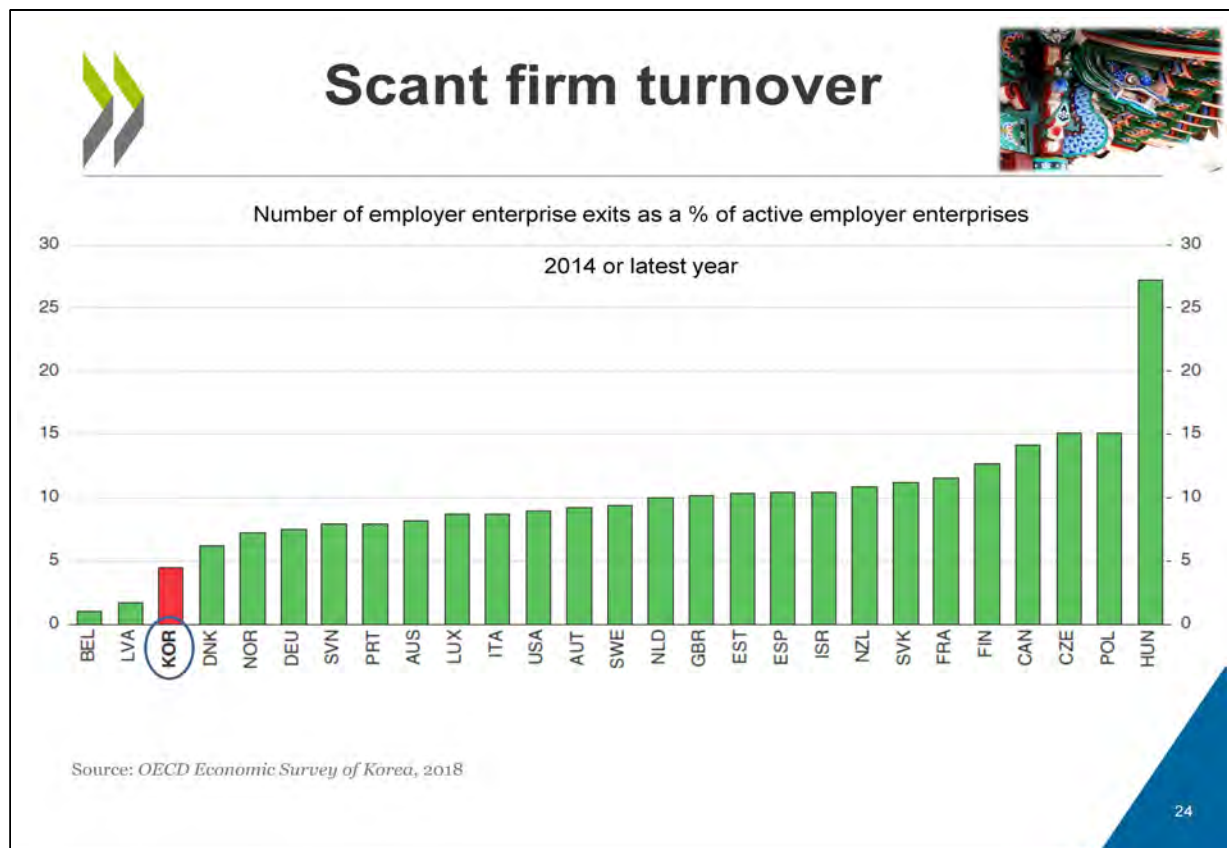
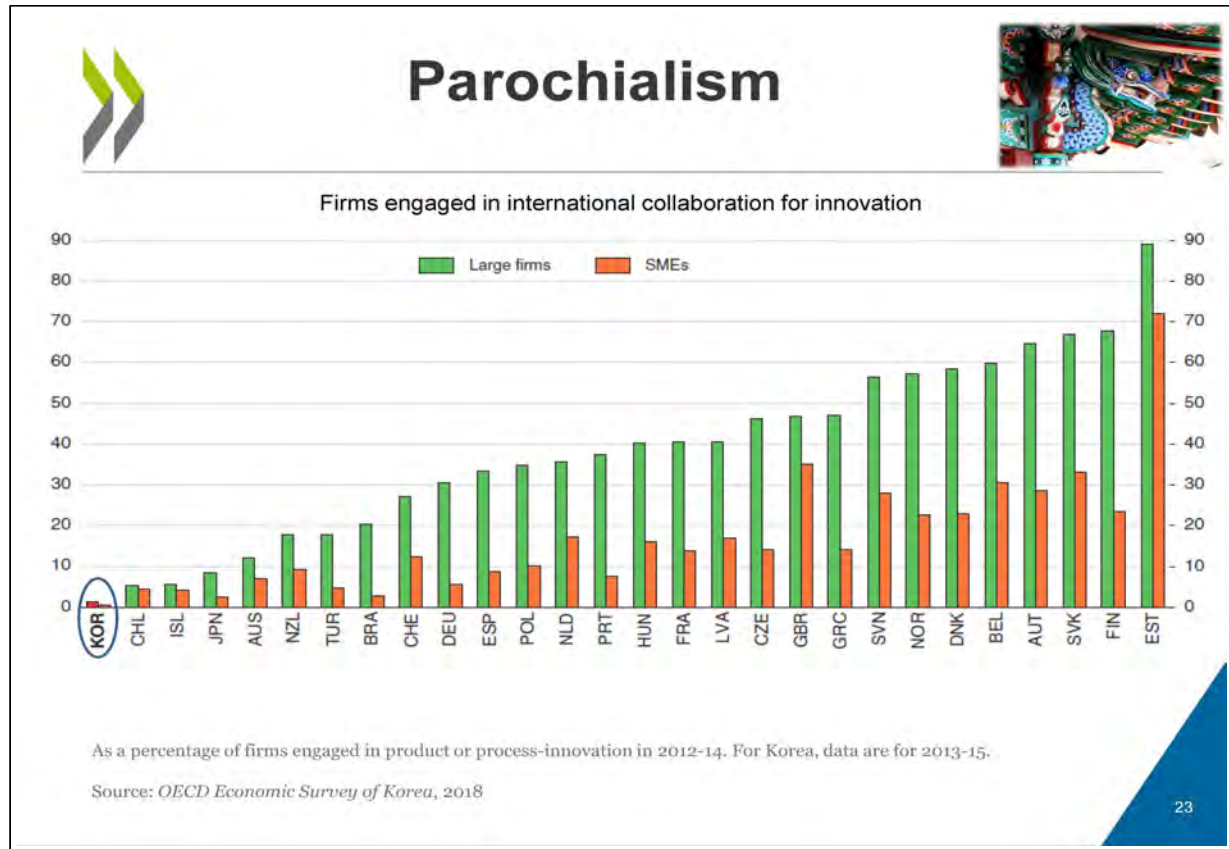
Country	Index (0.0 to 1.6)
NLD	0.15
BEL	0.18
AUS	0.20
FIN	0.22
GBR	0.25
LUX	0.28
HUN	0.30
POL	0.32
IRL	0.35
CHE	0.38
FRA	0.40
PRT	0.42
DEU	0.45
ESP	0.48
CZE	0.50
ITA	0.52
CHL	0.55
DNK	0.58
ISL	0.60
GRC	0.62
USA	0.65
NZL	0.68
OECD	0.70
SVK	0.72
NOR	0.75
AUT	0.78
SWE	0.80
EST	0.85
JPN	0.88
LVA	0.90
SVN	0.95
CAN	1.00
ISR	1.05
TUR	1.15
KOR	1.30
MEX	1.50

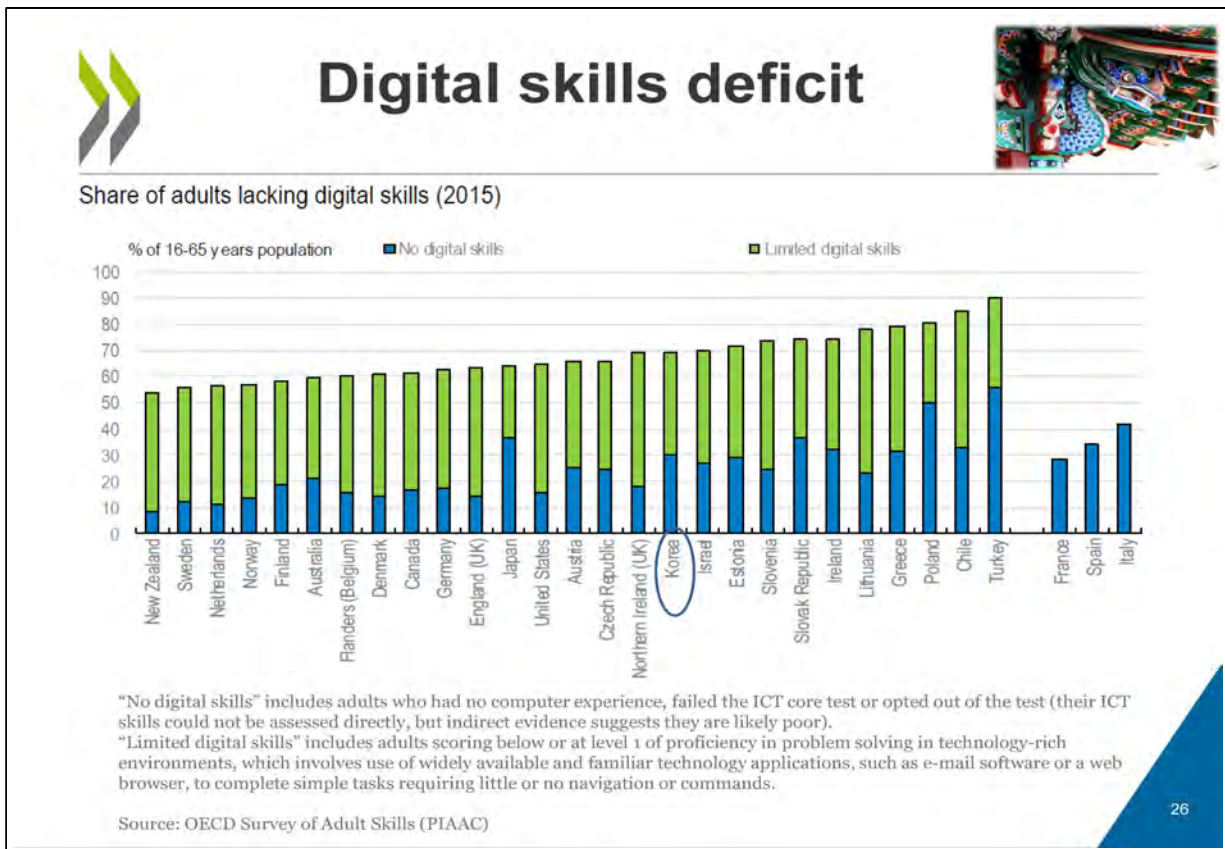
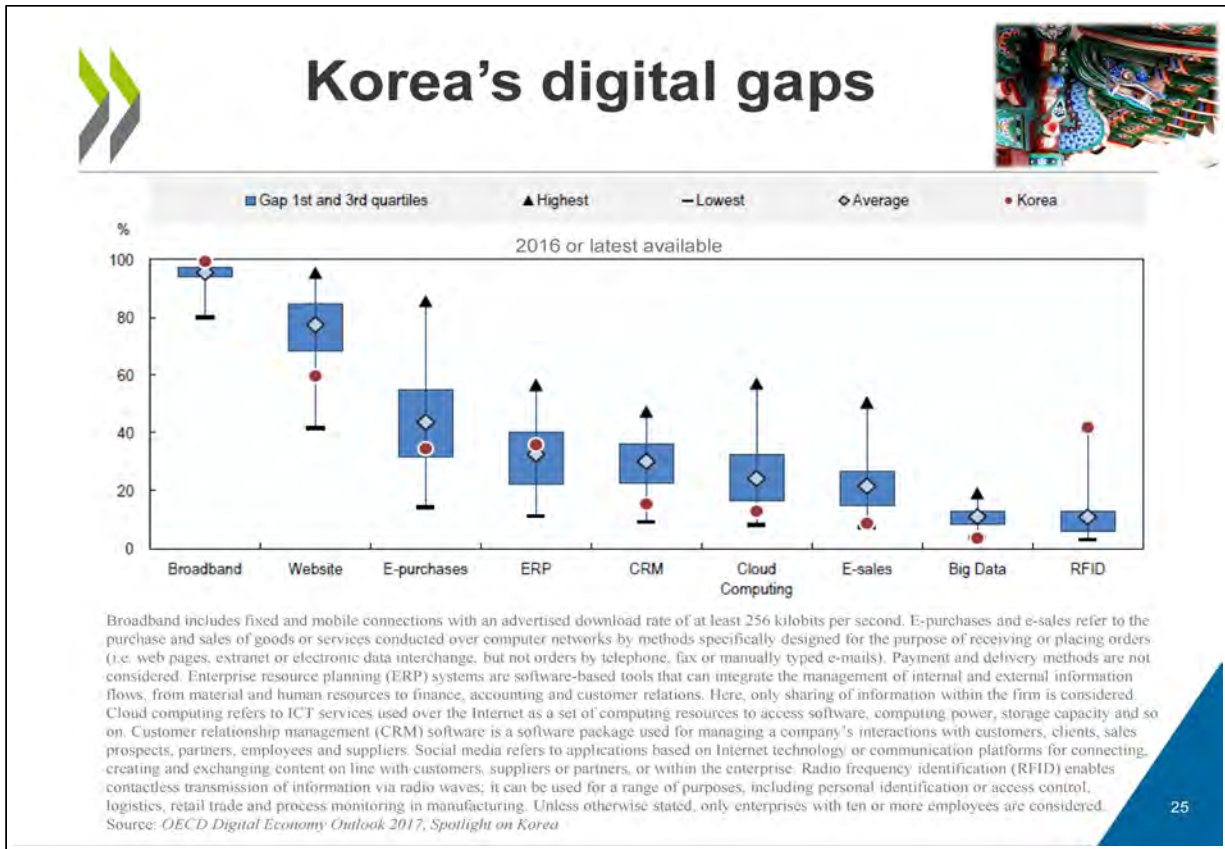
The indicators are for 2013. The OECD indicators of product market regulation are a comprehensive, internationally comparable set of indicators based on more than 700 questions that measure the degree to which policies promote or inhibit competition. Empirical research shows that the indicators have a robust link to performance.

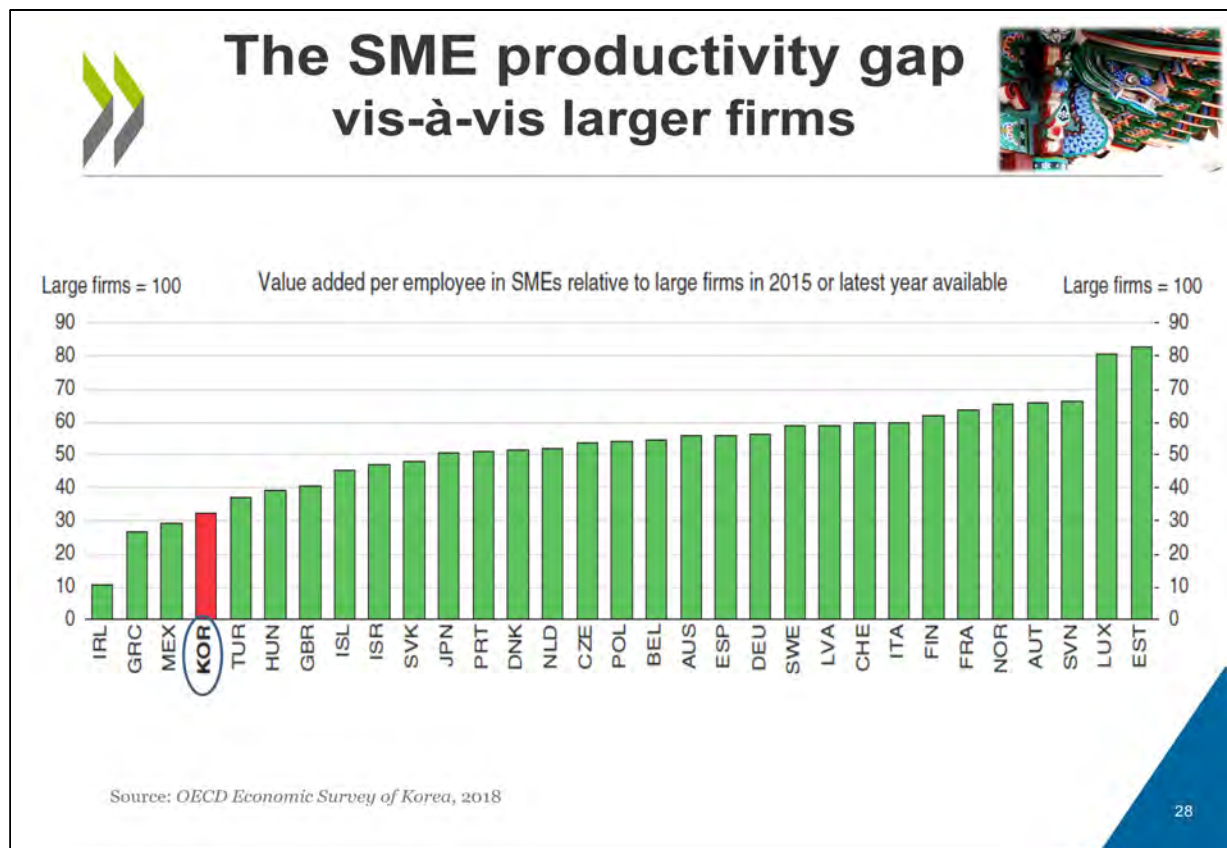
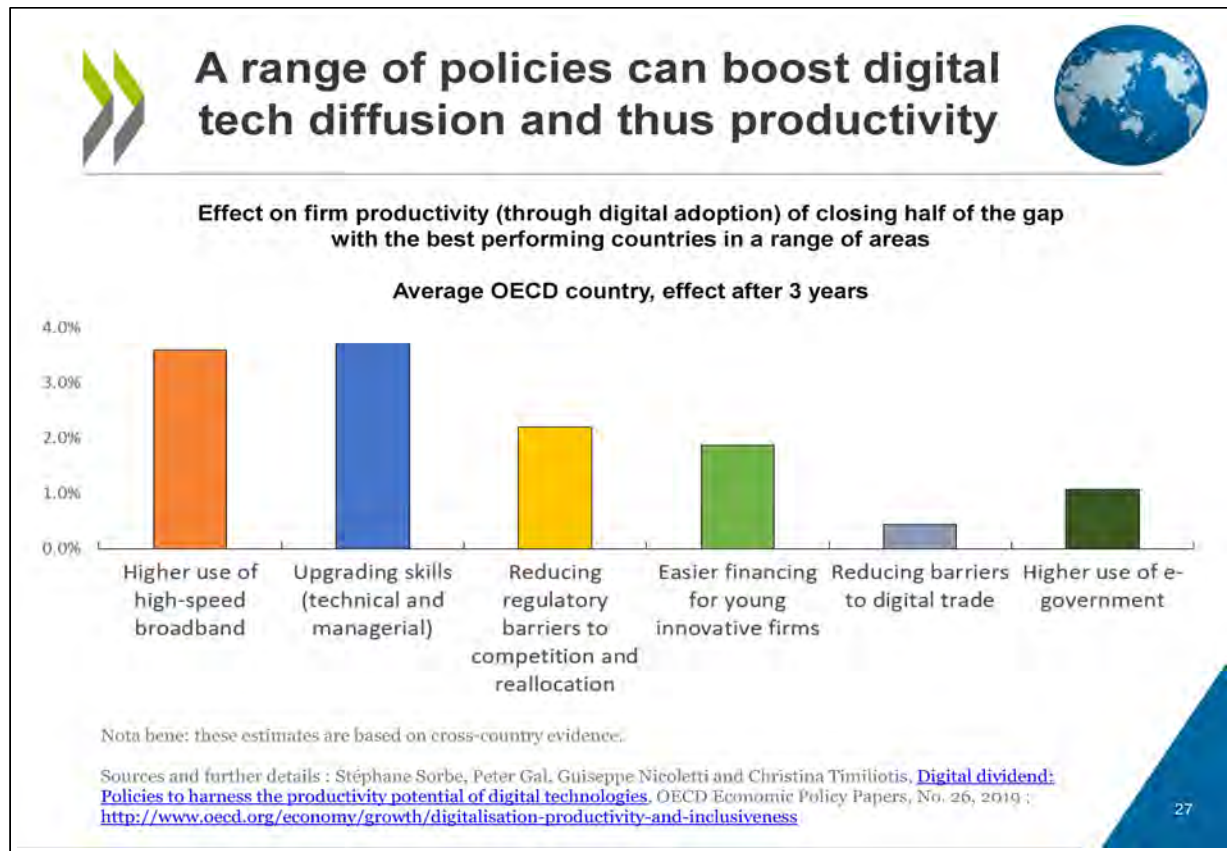
The next, and revamped, 2018 vintage of PMR indicators will be released soon. Korea's overall ranking will not change much.

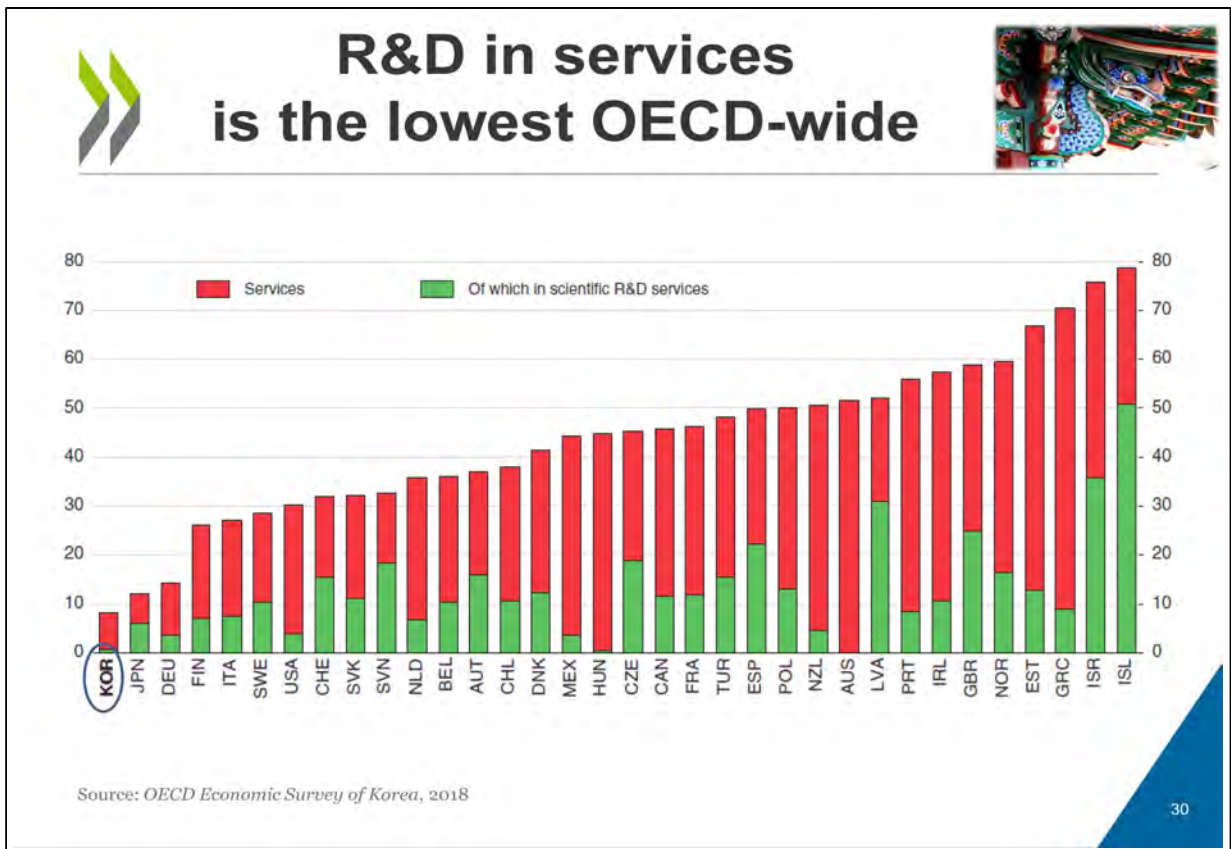
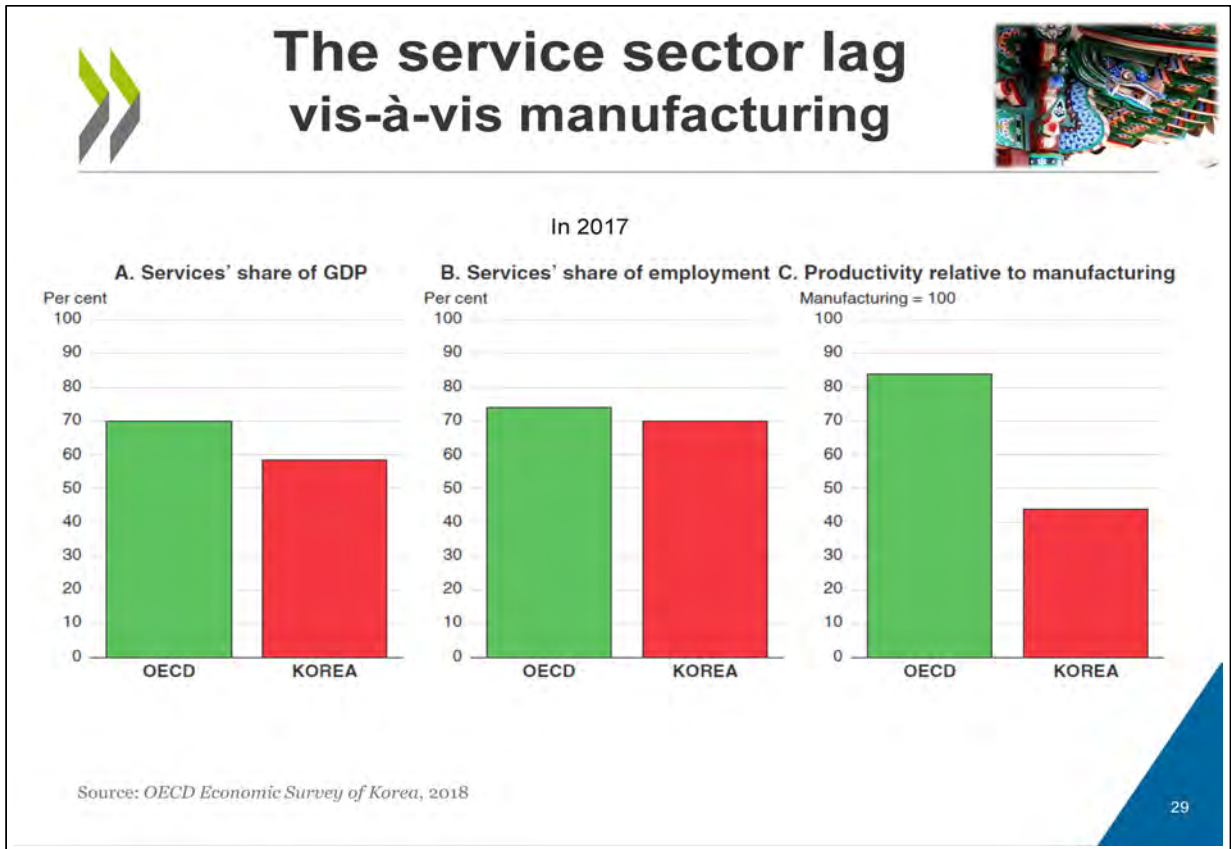
Sources: OECD [Product Market Regulation Statistics](#) ; *OECD Economic Survey of Korea*, 2018

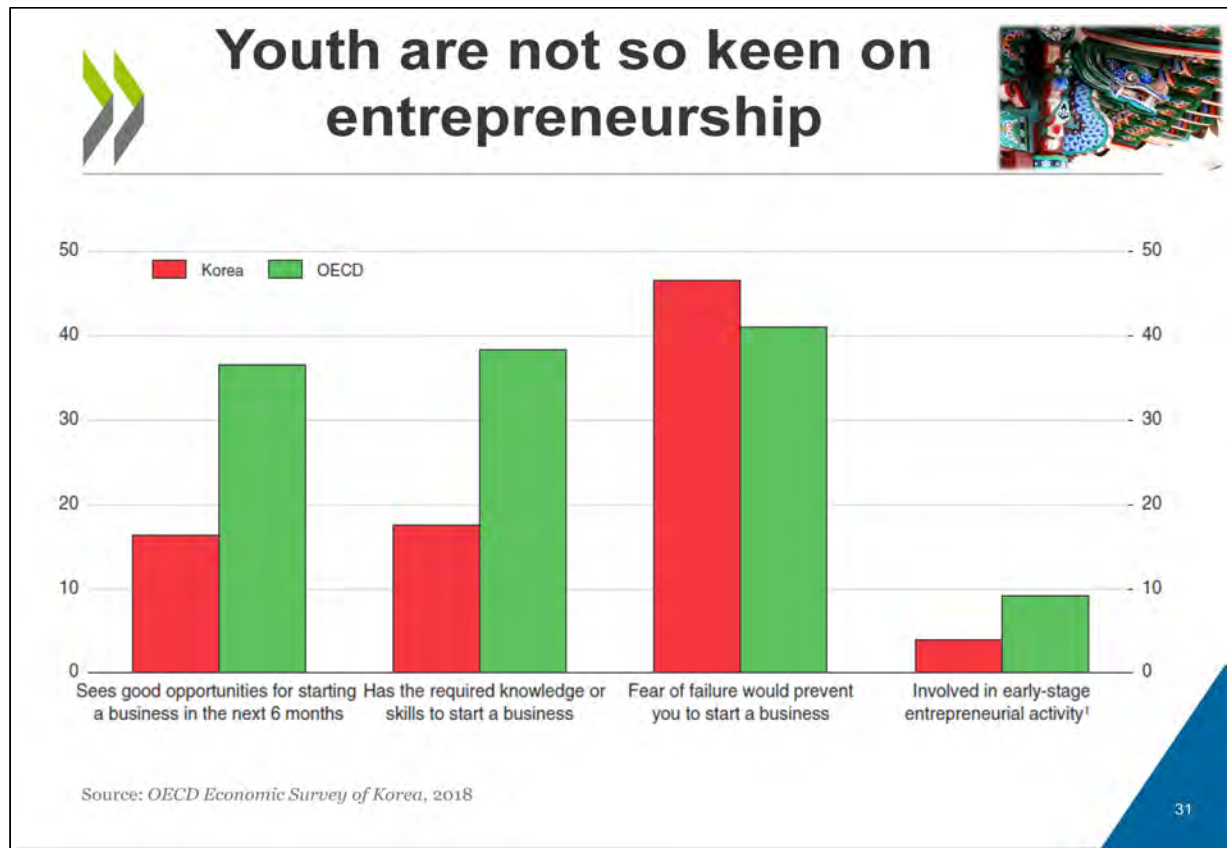
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- ## Selected general OECD recommendations
- Reduce the role of administrative guidance
 - Phase out positive-list regulations
 - Focus venture capital on start-ups by facilitating early-stage IPOs in the KOSDAQ and KONEX markets
 - Take further steps to jumpstart the M&A market through regulatory reform
 - Relax barriers to trade and investment to help firms better connect to global innovation networks
 - Strengthen R&D links between academia, business and government by promoting the mobility of researchers
- Source: OECD Economic Survey of Korea, 2016; Going for Growth 2019 (forthcoming)
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OECD recommendations focused on SMEs



- Lower the share of loans to SMEs that are guaranteed by the government and cap guarantee duration
- Reduce the generosity of SME support to weaken the disincentives for small firms to grow into larger enterprises, thereby increasing their productivity through economies of scale
- Enhance labour market flexibility to make the use of digitalisation more effective for firms while expanding the social safety net
- Improve the insolvency framework to reduce the personal costs for failed entrepreneurs, thereby raising Korea's low firm exit rate and encouraging the reallocation of resources to innovative firms
- Help potential female entrepreneurs to balance work and family and obtain financing to reduce the large gender gap in entrepreneurship rates
- Increase the quality and availability of vocational education to reduce labour market mismatch and labour shortages in SMEs
- Improve the skills of older workers by expanding lifelong learning, focusing on those with weak skills, and base it on the National Competency Standards to ensure its relevance to the labour market
- Expand and improve entrepreneurship education at primary and secondary level to improve the social image of entrepreneurship and develop entrepreneurial skills, attitudes and behaviours
- Increase venture capital investment in early stage firms by activating the M&A market by relaxing regulations and providing financial support to sellers

Source: OECD Economic Survey of Korea, 2018

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Some of the follow-up action: help for start-ups




- Encouraging spin-offs from existing firms by introducing a "start-up leave" and allowing academics to have more flexible employment arrangements
- Transforming the venture start-up support system into a private sector-driven system
- Supporting start-ups during their seed stage through the provision of office space and networking opportunities
- Assisting start-ups during their developmental stages, including financing, participation in public procurement, securing markets, including overseas
- Setting up a KRW 10 trillion "Innovation Adventure Fund"
- Promoting technology financing based on firm profitability and the future value of the technology
- Diversifying tax incentives for start-up investment to attract investment by a broader set of investors
- Gradually phasing out joint surety (guarantees), which pose a heavy burden on entrepreneurs' family and friends in case of bankruptcy
- Facilitating Initial Public Offerings (IPOs) and M&As
- Measures to prevent technology theft

Source: Government November 2017 programme to create an ecosystem to nurture innovative start-ups

President Moon addressing young entrepreneurs in a Makerspace in Seoul: "We will make failure something that need not be feared"



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Selected further OECD readings

- [Interim Economic Outlook](#), March 2019
- [Economic Outlook](#), May 2019*
- [Going for Growth 2019](#), July 2019*
- [The Future of Work, 2019 Employment Outlook](#), April 2019
- [Going Digital: Shaping Policies, Improving Lives](#), Feb. 2019
- Digitalisation and productivity: a story of complementarities, May 2019*
- The 2018 Update of the OECD PMR Indicators and Database: Policy Insights for OECD Countries, ECO WP, 2019*
- Randall Jones, [Reforming the large business groups to promote productivity and inclusion in Korea](#), ECO WP, 2018
- Randall Jones and Jae Wan Lee, [Enhancing dynamism in SMEs and entrepreneurship in Korea](#), ECO WP, 2018
- [OECD Skills Strategy Diagnostic Report Korea](#), 2015

* forthcoming

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Presentation 2

Challenges for Industrial Innovation & Inclusive Growth
in Korea

발표 2

포용적 혁신성장을 위한
한국의 산업혁신 전략과 과제

Suk In Chang

Senior Research Fellow, Korea Institute for Industrial Economics & Trade

장석인

산업연구원 선임연구위원



SEOUL INCHEON BUSAN DAEGU GWANGJU PYEONGYANG GAESUNG ANDONG DAEJEON JEJU GYEONGJU CHUNCHEON JEONJU ULSAN



Challenges for Industrial Innovation and Inclusive Growth in Korea

International Conference on Towards an Innovative and Inclusive Korea
May 9, 2019

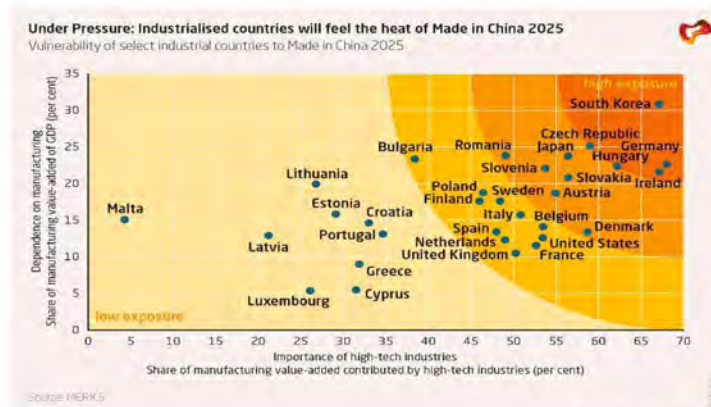
Dr. Suk In Chang
Senior Research fellow, ICT& Emerging Industry Division
Korea Institute of International Economics & Trade (KIET)

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The underlying challenges in Korea

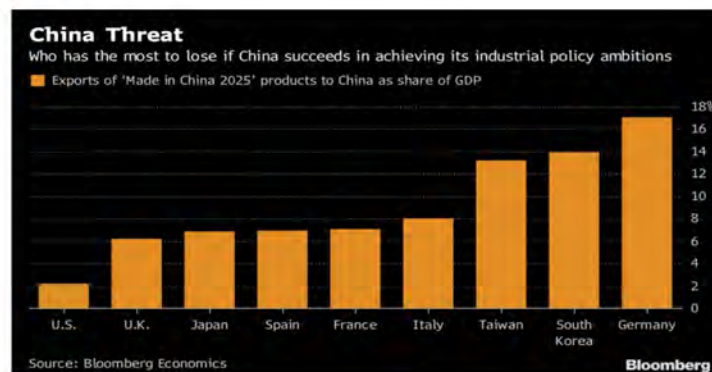
- Market access for Korean business including German can be expected to shrink, especially in areas where Chinese companies are able to close the technology gap.
- In the long term, Made in China 2025 amounts to an import substitution plan.



3

The underlying challenges

- Recent China's activist industrial policy may be overblown. Even so, German, South Korea, and Taiwan stand out as the most exposed.
- ❖ All have a combination of high dependence on exports and a substantial presence in the sectors Made in China 2025 is targeting.

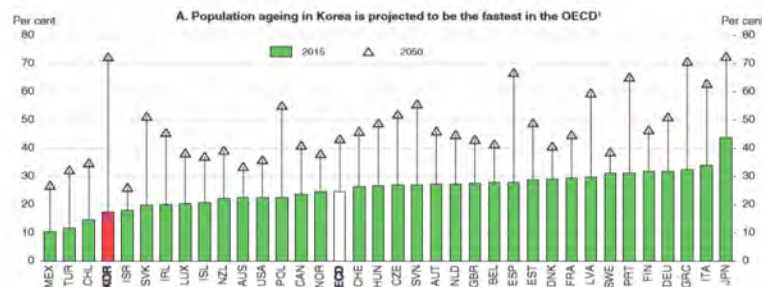


4

The underlying challenges

- Korea's population ageing will be the fastest in the OECD, leading to a shrinking labor force
 - ❖ Expanding female and older person employment would help offset the impact of population ageing

Figure 3 Korea's population ageing will be the fastest in the OECD, leading to a shrinking labor force



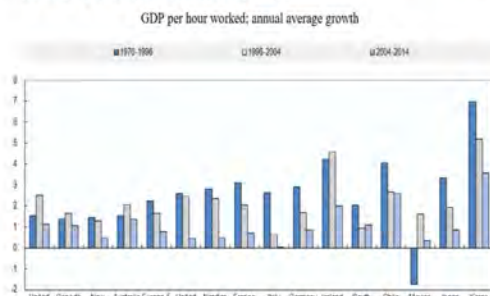
Source: OECD (2018), Economic Surveys Korea 2018

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The underlying challenges

- Productivity growth in Korea during the past 25 years has been the fastest in the OECD. However, it fell below the OECD average over 2012-15, as Korea's traditional growth model, based on exports by large conglomerates, is running out of steam.

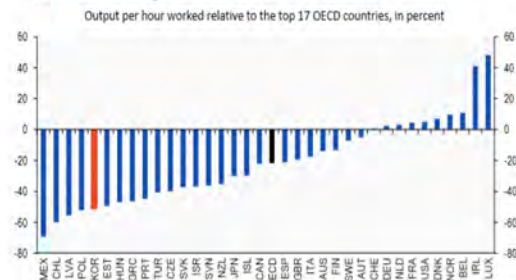
Figure 1 Labor productivity performance in advanced economies had been converging with that of the US until the mid-1990s



Source: OECD (2018), The Productivity-Inclusiveness Nexus

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Figure 2 Korea's labor productivity is only around 50% of the top half of OECD countries



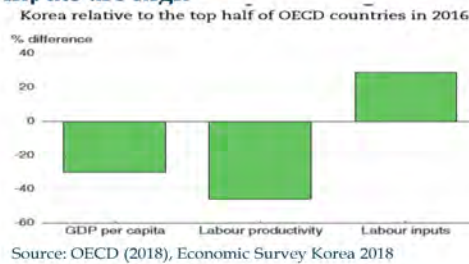
Note: Using 2015 PPP exchange rates

Source: OECD (2017), Digitalization: an Enabling Force for the Next Production Revolution in Korea

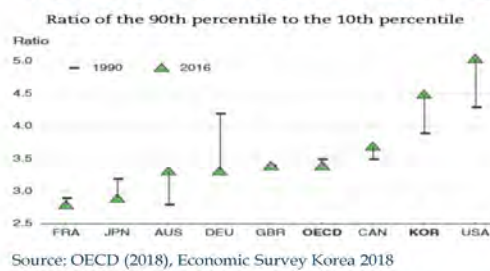
The underlying challenges

- Korea's real per capita income is one-third below top half of OECD economies. The large income gap reflects low labor productivity, which is 46% below the top half in the OECD
 - Poverty and earnings inequality are relatively high in Korea. This is driven partly by the wide productivity gap between firms, whereby more productive firms pay consistently higher wages. Many of Korea's low productivity firms are small and operate in the service sector

Labor productivity is low and labor inputs are high



Wage inequality is high and increasing



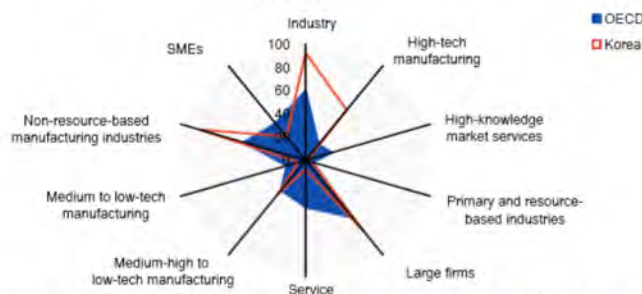
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The underlying challenges

- Korea need to reap productivity benefits from the uptake of the next production revolution.
 - ❖ The country's digital transformation will have important consequences for the future of work, with profound changes expected in labor markets.

Korea could broaden its innovation performance

Structural composition of business R&D expenditure (BERD), in percentage of total BERD or sub-parts of BERD, 2015



Source: OECD (2017), Digitalization: an Enabling Force for the Next Production Revolution in Korea

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The underlying challenges

- What does these all underlying challenges mean for?
 - ❖ From the growing and potentially existential threat from Chinese competitors to a rapidly ageing population, the Korean economy must quickly transition to a new growth model, or risk a long-term slowdown akin to neighboring Japan.
 - ❖ At the crux of the issue is the notion that South Korea's traditional economic growth model is no longer competitive.
 - ❖ Recent international organization's research (World Bank, IMF, OECD, UNIDO etc.) is calling for a shift from the traditional binary approach of either growth or redistribution, to win-win policies where growth and equity go hand in hand, so called 'Inclusive growth'.

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Inclusive Growth & Innovation

➤ Traditional Economics vs. Economics of Inclusiveness

- ❖ In traditional economics, average economic growth (such as GDP per capita) as a measure of performance relies on the assumption that the benefits of growth will necessarily trickle down to all social groups and, deliver higher welfare to people.
- ❖ In inclusive economy and society, economic growth is expected to create opportunity for all segments of the population and to distribute the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society (OECD, All on Board: Making Inclusive Growth Happen, 2015)

< A shift towards Inclusive Growth >



Traditional Economics
Focus on GDP as the key measure of success
Binary approach: either growth or equity
Focus on outputs (GDP per capita)
Attention to the average
Inequality (income gap)



Economics of Inclusiveness
Focus on material and non-material living standards
Integrated policies: growth and equity
Focus on outcomes (health, education, jobs)
Attention to different social groups and scales
Inequalities (income and well being)

11 Source: OECD (2016), The Governance of Inclusive Growth:

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Inclusive Growth & Innovation

➤ What is inclusive growth?

- ❖ The definition of Inclusive Growth is evolving in the work of several many international organizations (World Bank, IMF, OECD, UNIDO etc.)
- ❖ OECD defined Inclusive Growth as “economic growth that **creates opportunity for all segments of the population and distributes the dividends of increased prosperity**, both in monetary and non-monetary terms, **fairly across society**” (OECD, All on Board: Making Inclusive Growth Happen, 2015)

➤ What is the concept of inclusive growth in Korea

- ❖ On July, 2018, President Moon said **economic policies** pursued by his administration fitted into **the concept of inclusive growth**, through which a **people-oriented economy takes root** and **the benefits of growth are shared evenly** and that income-led growth, along with innovation-driven growth and steps toward building a fair economy, serves as a concrete way to achieve it. (as it is a more comprehensive concept)

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Inclusive Growth & Innovation

- How innovation is related to inclusive growth ?
 - ❖ Innovation has a major impact on productivity growth, thus affecting the returns to human, physical and knowledge based capital.
 - ❖ It also tends to increase aggregate incomes, which has a positive impact on living standards, but can also contribute to growing income inequality. This is partly because innovation inherently creates **winners and losers** in the process of creative destruction, with some firms and individuals benefiting through substantial returns to their invested labor and capital.
 - ❖ Innovation is a highly disruptive force, contributing to the process of creative destruction in the economy, and thus to job displacement and the reallocation of labor and capital within the economy .

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Inclusive Growth & Innovation

- Varieties of innovation from the perspective of the firm and manager (1/3) (based on “Power of Market Creation” by Bryan C. Mezue, Clayton M. Christensen, and Derek van Bever, January/February 2015)
 - ❖ Why? It is not societies, government, or industries that create jobs but companies and their leader. It is entrepreneurs and businesses that choose to spend or not, invest or not, hire or not.
 - ❖ **Sustaining innovation**
 - ✓ Replace old products with new & better ones
 - ✓ Keep markets vibrant and competitive
 - ✓ No new jobs
 - Samsung’s flagship smartphone
 - Toyota’s hybrid Prius

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Inclusive Growth & Innovation

➤ Varieties of innovation from the perspective of the firm and manager (2/3)

❖ **Efficiency innovation**

- ✓ Make and sell established products or services at lower prices
- ✓ Critical to companies' survival
- ✓ Produce more with fewer people & improving cash flow
- ✓ More with less & eliminating jobs or outsourcing
 - Walmart retail model

❖ **Market-creating innovation (continued)**

- ✓ Cheap enough and accessible enough to reach an entirely new population of customers
- ✓ Building new supply networks and establish new distribution channels is necessary to create a new market

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Inclusive Growth & Innovation

➤ Varieties of innovation for inclusive growth (3/3)

❖ **Market-creating innovation (continued)**

- ✓ Hire more people to make, distribute, and service
 - Suzuki with its low-end 60cc Diamond Free bike for younger consumers
 - Honda launched the 1952 50cc Cub F-Type to target the growing number of small businesses that needed delivery vehicles
 - Embraer in Brazil, focused on aircraft for military purposes, now making planes for several leading international airlines, including major U.S.
 - Haier started with mini-refrigerators for Chinese non consumers, and then it leveraged a partnership with the German firm Liebherr disrupting many global incumbents in the "white goods" market

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Inclusive Growth & Innovation

➤ Disruptive & Non-disruptive Innovation

- ❖ “It’s time to dispel the myth that innovation must be disruptive. Non-disruptive creation is an alternative path to growth”. (W. Chan Kim and Renee Mauborgne, 2019)
- ✓ Non-disruptive creation, which offers a new way of thinking about what’s possible. It highlights the immense potential for creating new markets where none existed before. It’s a positive sum approach to innovation, as opposed to the zero-sum nature of disruption.
 - The mobile phone accessories market didn’t displace anything, and it now racks up more than \$70 billion in annual revenue
 - Life coaching didn’t disrupt an existing market or industry. It only created a new one

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Inclusive Growth & Innovation

❖ An Expanded View of Innovation and Growth

- ✓ (1) Offer a breakthrough solution to an industry’s existing problem drives disruptive creation.
- ✓ (2) Redefining an existing industry problem and solving the redefined problem draws on elements of both disruptive and non-disruptive creation
- ✓ (3) Solving a brand-new problem or seizing a brand-new opportunity drives non-disruptive creation.

A GROWTH MODEL OF INNOVATION STRATEGIES
 Each approach to innovation strikes a different balance between disruptive and nondisruptive creation to achieve growth.



Source: W. CHAN KIM AND RENÉE MAUBORGNE, “Nondisruptive Creation: Rethinking Innovation and Growth”, MIT SLOAN MANAGEMENT REVIEW SPRING 2019

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Inclusive Growth & Innovation

➤ Disruptive & Non-disruptive Innovation

❖ The Advantages of Non-disruptive Creation

- ✓ Making execution emotionally and politically easier: opens a less threatening path to innovation for established companies. It doesn't directly challenge the existing order or the people
- ✓ Offering a good counterresponse to disruption: Nondisruptive creation can be an effective way to respond to market disruptors
- ✓ Avoiding Goliath: Opportunities for nondisruptive creation loom just as large, and all companies – startups and established companies alike can avoid the well-entrenched market leaders
- ✓ Reducing conflicts with social interest groups and government agencies: Since nondisruptive creation doesn't displace existing businesses and livelihoods, it imposes minimal adjustment costs on society and allows companies to largely avoid these negative issues

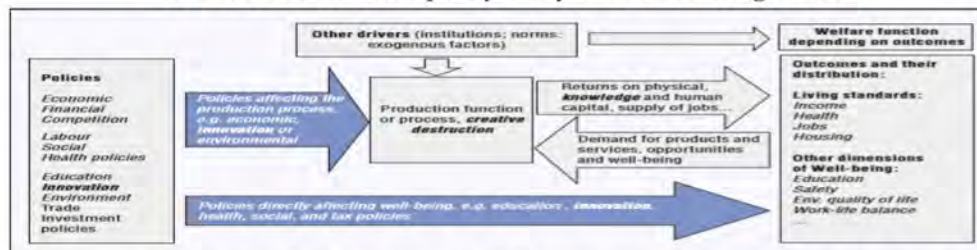
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Inclusive Growth & Innovation

➤ Policy also plays an important role in shaping the relationship between innovation and inclusive growth

- ❖ Many of the existing policies aimed at stimulating innovation are not neutral in their impacts on the production process.
- ❖ Policy makers will need to carefully analyze the alternative options of making innovation itself more inclusive or allowing it to create inequality but then using redistributive policies to improve the well-being outcomes for all citizens

< OECD framework for policy analysis of inclusive growth >



Source: Adapted from OECD, 2014a, *All on Board: Making Inclusive Growth Happen*, OECD Publishing, Paris, <http://dx.doi.org/10.1782/9789264218512-en>.

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Government policy on Industrial Innovation in Korea

- Newly launched Government's a new economic development paradigm
 - In May 2017, the newly established Moon Jae-in government introduced a new economic development paradigm, 3 growth strategies such as income-led growth, fair economy and innovation growth.
 - ❖ Innovative growth was designed fundamentally to change the structure of the Korean economic society and create a growth strategy to realize a people-centered economy.
 - ❖ Specifically, the government tried to lead the reform of laws and regulation and tried to move production factors such as to the more highly productive sector led by the private enterprise, thereby improving the productivity of the economy as a whole.

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Government policy on Industrial Innovation in Korea

- Major tasks planned for innovation growth (1/2)
- In May of 2017, the government announced the following major tasks for innovation growth and industrial innovation through the five-year plan for the government of Moon Jae-in
 - ❖ Making SMEs a new growth engine by building cooperation and innovation ecosystem
 - ❖ Creating future high-value-added new industries such as pin-tech financing, shared economy by securing future promising technologies and manufacturing-ICT fusion by selecting the leading fields of the 4th industrial revolution such as autonomous vehicles and mobility(drone)

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Government policy on Industrial Innovation in Korea

- Major tasks planned for innovation growth (2/2)
 - ❖ Regulatory innovation including the adoption of negative list regulation principles and a “regulation sandbox” by which the creation of new industries is expected
 - ❖ Enhance the competitiveness of major manufacturing industries, responding to the fourth industrial revolution and digital transformation, and plan to upgrade the manufacturing structure through the spread and expansion of 20,000 “ Smart Factory” by 2022

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Government policy on Industrial Innovation in Korea

➤ Growth engine for Innovation-led growth Program

- ❖ At the end of 2017, the government has integrated the 19 future growth engines of the past government and the 9 national strategic projects as 13 growth engines for innovation-led Growth and the creation of new industries.
- ❖ After selecting the 13 emerging new technology or area*, the government is planning to supports R &D, manpower training, and infrastructure, and is planning the leading projects for R&D and commercialization in these promising technology fields.
- ❖ ***13 emerging new technology or area:**
- ❖ Big Data, Next Generation communication(5G), Artificial Intelligence(AI) as a intelligent infrastructure (3)
- ❖ Autonomous vehicles and Drone for smart mobility (2)
- ❖ Customized health care, Smart City, VR/AR, intelligent Robot for Convergence service (4)
- ❖ Intelligent semiconductor, Advanced materials, Innovative New Drug
Renewable Energy (4)

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Government policy on Industrial Innovation in Korea

➤ 5 Leading Project for New Industry (by MOCIE)

- At the end of 2017, the Ministry of Commerce, Industry and Energy (MOCIE) announced five leading industrial projects to prepare for the fourth industrial revolution, energy conversion, and aging society
- ❖ Promote the 5 leading projects with high growth potential and people's feeling of enthusiasm, such as electric cars and autonomous vehicles, and continue to find follow-up projects by providing a customized support package to plan early induction of new industries
- ❖ Strengthen R & D for core technology and commercialization, fostering human resources for new industry, financial support by the creation of joint fund for public-private, promotion of mutual cooperation between large and small enterprises, etc..

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Government policy on Industrial Innovation in Korea

➤ 3+1 Project and 8 National Pilot Project

- ❖ As of October, 2018, the Moon Government announced the 3+1 project to develop a Platform Economy and 8 national pilot project to accelerate innovation growth from next year.
- ❖ 3+1 Project :
 - 1) Building a **big data & Artificial Intelligence & Block Chain** platform
 - 2) Package of **Sharing Economy** and resolving digital divide
 - 3) Building a **hydrogen fuel cell supply chain** & Establishing production base
 - 4) Developing **qualified workforce** with an education program
- ❖ 8 National Pilot Project :
 - 1) **Future car** 2) **Drone** 3) **Smart City** 4) **Smart Factory** 5) **Smart Farm**
 - 6) **New Energy**(including renewable energy) 7) **Fin -Tech** 8) **Bio Health**

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Government policy on Industrial Innovation in Korea

➤ Smart Factory Program

- ❖ In order to upgrade the existing mainstream manufacturing industry, Moon Government is continuing to pursue **the smart factory program** that was initiated by the previous government and are promoting to supply 20,000 by 2022. (now 30,000 by 2022)
- ❖ To overcome the crisis in the manufacturing industry, the government has increased its budget for smart factories by 590 billion won this year to 1.30 trillion won (133%) in order to strengthen the global competition of manufacturing, which is the main driving force of the Korean economy.
- ❖ In order to supplement the existing program, new government is planning to expand it by
 - 1) smart industries by sectors and
 - 2) the creation of smart industrial complexes (10 by 2022)

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Government policy on Industrial Innovation in Korea

- Recently, the government is planning to strengthen the competitiveness of the main industries by improving the dynamics of innovation and redesigning the industrial policy(1/2)
 - ❖ In response to changes in global trends and prolonged US-China trade war, the government is preparing a plan to upgrade its industrial structure focusing on creating new industries and upgrading its flagship industries.
 - ❖ In addition to 13 existing innovative growth engines, 5 project for New Industry, 3 + 1 project and 8 leading project, government is seeking to develop new technologies, products and services that will lead the existing market based on the innovation capabilities accumulated in the existing main industries

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Government policy on Industrial Innovation in Korea

- Recently, the government is planning to strengthen the competitiveness of the main industries by improving the dynamics of innovation and redesigning the industrial policy(2/2)
 - ❖ Finding specific promising areas based on partnerships with private, and then creating markets and eliminating investment risks and uncertainties, and customizing support such as regulatory innovation
 - ❖ Encouraging the use of new information and communication technologies, AI data, big data, cloud computing, and Internet of things (IoT) for the convergence between manufacturing and service industries.

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Assessment & Next Steps

- **A fundamental change in the way of innovation and existing policies for inclusive growth(1/3)**
 - ❖ In order to achieve inclusive growth in which, growth results are allocated to more people, a fundamental change in the way of innovation and a progressive shift in the existing policies is needed.
 - ❖ Policies should be pursued with focusing more on creating conditions for business dynamics and eliminating obstacles for corporate-led innovation rather than direct government support for inclusive innovation
 - while first improving the problems inherent in the traditional way, rather than eliminating the traditional economic growth and innovation due to the new inclusive growth.

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Assessment & Next Steps

- **A fundamental change in the way of innovation and existing policies for inclusive growth (2/3)**
 - ❖ More sophisticated policies need to be pursued, such as enhancing suitability and effectiveness of the government's innovative support policies and applying selection criteria that value the method and effectiveness in selecting large-scale R&D projects or in selecting innovative support projects for companies and regions
 - ❖ For reference, see the case of inclusive innovation & policy in OECD member countries – a specific set of innovation policies that aim to boost the innovation capacities and opportunities of individuals and social groups that are underrepresented in innovation, research and development and entrepreneurship activities (OECD, Making Innovation Benefit All: Policies for Inclusive Growth, 2017).

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Assessment & Next Steps

- **The Innovation-led Growth Strategy**
 - ❖ The current government's innovation growth strategy is inseparable from income-led growth and fair economic policies.
 - ❖ In particular, in order for current income-led growth to achieve expected results, companies must be able to offer value-added products and services that can provide workers with high wages, or be able to reorganize their businesses into more value-added and productive businesses .
 - ❖ Therefore, the growth engine, new industry, and major industry advancement in terms of innovation growth need to be promoted in connection with income-led growth. That is, a policy mix is required.
 - ❖ It is necessary to carefully examine whether new growth engines and new industries can reallocate businesses to higher value-added and productivity-oriented businesses.

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Assessment & Next Steps

➤ Growth Engine Program & Leading Project

- ❖ Measures such as the growth engine program for new growth, various leading pilot projects, and regulatory sandboxes, on their own, do not significantly affect the creation of new industries or the advancement of industrial structures.
 - ❖ Rather, it is more meaningful for the government to find new policy instruments and mechanisms for the creation of new industries and industrial structure enhancement.
- ❖ Therefore, rather than expanding budgets for programs and projects that can generate visible results in the short term for future growth,
 - ❖ The government should strive to identify effective policy instruments and implementation systems through pilot programs and pilot projects.

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**Thank You for
Your Attentions**

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Session 3

Economic Growth and Quality of Life

세션 3

경제성장과 삶의 질

Chair ♦ 사회

Seh-Jin Chang Emeritus Professor, Inha University
장세진 인하대학교 명예교수

Presentation ♦ 발표

J. Allister McGregor Professor, University of Sheffield
알리스테르 맥그레거 영국 쉐필드대학교 교수

Hae-sik Jung Research Fellow, Korea Institute for Health and Social Affairs
정해식 한국보건사회연구원 연구위원

Discussion ♦ 토론

Wonhyuk Lim Professor, KDI School of Public Policy and Management
임원혁 KDI국제정책대학원 교수

Presentation 1

Inclusive Growth:
Protecting and Promoting Human Wellbeing

발표 1

포용적 성장: 더 나은 삶과 사회적 책임

J. Allister McGregor
Professor, University of Sheffield

알리스테르 맥그레거
영국 셰필드대학교 교수



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Inclusive Growth: Protecting and Promoting Human Wellbeing

J. Allister McGregor

Professor of Political Economy
Sheffield Political Economy Research Institute (*SPERI*)

Workshop: Towards an Innovative and Inclusive Korea
Seoul May 9th 2019



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Inclusive Growth and Human Wellbeing

- Economic growth and societal development should result in improvements in human wellbeing.
- No longer good enough to measure the success of development in terms only of aggregate economic performance.
- Nor for public policy to continue to be driven solely by orthodox economic growth thinking.

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Inclusive Growth and Human Wellbeing

- Inclusive Growth sustainably improves the wellbeing of all people. Ensuring that:
- the benefits of growth are shared across the population.
- people are able to participate in growth processes in ways that enable them to sustainably improve their own wellbeing and the wellbeing of their children.



Multidimensional Human Wellbeing

- Drawing on the OECD Better Lives Framework. Human wellbeing can be conceived of in terms of 3 dimensions:
- people experience wellbeing
 1. when their **material** needs are met,
 2. when their **relational** needs are met
 3. and when their **psychological** needs are met (to achieve a good Quality of Life).




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OECD Better Lives Framework



The diagram illustrates the OECD Better Lives Framework. It is divided into two main horizontal sections. The top section is 'INDIVIDUAL WELL-BEING' (Populations averages and differences across groups), which is further split into 'Quality of Life' (Health status, Work-life balance, Education and skills, Social connections, Civic engagement and governance, Environmental quality, Personal security, Subjective well-being) and 'Material Conditions' (Income and wealth, Jobs and earnings, Housing). A box labeled 'GDP' is shown as a subset of 'Material Conditions', with a dashed box labeled 'Regrettables' indicating areas where GDP is high but well-being is low. The bottom section is 'SUSTAINABILITY OF WELL-BEING OVER TIME' (Requires preserving different types of capital), which includes 'Natural capital', 'Economic capital', 'Human capital', and 'Social capital'. Arrows indicate a flow from individual well-being to sustainability and back.

Source: OECD, 2013





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3 Dimensions of Wellbeing

Universal dimensions	Material conditions	Quality of life	Relationality (Sustainability)
Domains	Jobs and earnings Consumption and assets Housing and related infrastructure	Education and skills Health Living conditions Social connections Empowerment Safety and security Overall subjective wellbeing	To Social, Cultural and Economic Systems and Ecosystems through which wellbeing is reproduced or degraded Economic capital Human capital Social capital Natural capital
Indicators	e.g. Asset indicators Does the person own the main productive asset? If more context specific this could be a fishing boat or a plough.	e.g. Security indicators Has the person experienced actual or threatened physical harm over a particular time period? A more context specific indicator might discuss security in relation to a particular conflict of interest.	e.g. Does the person have access to a range of ecosystem services which provide important inputs for their wellbeing? (for example, a fishery or a recreational space in a city). Does the person have access to the necessary economic and social arrangements to sustain them when they are hit by economic shocks such as the loss of a job or harvest?



The Interplay of Dimensions

- The three dimensions are interconnected and interplay to produce either a state of wellbeing or a state of wellbeing failure.
- For example, a person who does not have enough income to purchase the food she needs is not achieving wellbeing in the material dimension.
- Similarly a person who is socially isolated and who does not have the necessary relationships to function well in society is not achieving wellbeing in the relational dimension.
- The outcomes in the material and relational dimensions are synchronously processed through subjective evaluation into an assessment of the psychological dimension of wellbeing – quality of life.



Key Points about this Conception of Human Wellbeing - 1

- wellbeing is a product of both economic and social organisation
 - Thus, alongside the economy, social organisation and societal norms and values have a role to play in translating material wellbeing into a good Quality of Life



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Key Points about this Conception of Human Wellbeing - 2

- governments cannot give people wellbeing, rather people make their own wellbeing in conjunction with other actors in society (including government but also other citizens and businesses).

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To Illustrate: Work-Life Balance

- People will choose to trade-off different elements of their wellbeing depending on their own priorities and preferences
 - For example: Work life balance – people may choose to work longer hours to generate greater material benefits, while being aware this involves sacrifices in terms of their relationships with family and friends.
 - Regulation may not quickly to change this as it may also be a matter of work culture and societal culture.

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Key Points about this Conception of Human Wellbeing - 3

- governments can make some direct contributions to wellbeing (e.g. welfare payments) but their fundamental role is in ensuring that there are societal conditions (laws, organisations, societal norms and values) that give all people a good opportunity to achieve wellbeing on a sustainable basis.

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To Illustrate: the Wellbeing of the Elderly

- In an ageing society caring for and ensuring that the elderly achieve a good level of wellbeing is a major challenge.
 - Since wellbeing is not just a matter of material benefits, then welfare payments to the elderly will not sustainably solve other dimensions of the wellbeing problem, such as loneliness and isolation.
 - The relational aspects of the wellbeing of the elderly also need attention but this will involve action by other social actors beyond government (neighbours, clubs , associations, family relatives).

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Protecting and Promoting Human Wellbeing

To promote inclusive growth that protects and promotes human wellbeing:

- First, understand who is failing to achieve wellbeing
- Second, understand what ways are some people are failing to achieve wellbeing
- Third, understand what social, political and economic mechanisms that are causing some people to systematically fail to achieve wellbeing.

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Protecting and Promoting Human Wellbeing

- Analysis of patterns of multidimensional wellbeing outcomes
- Understand how these different dimensions of wellbeing interact in social, economic and political processes to reproduce these patterns of outcomes.
- Opportunities for government to act to change these processes will present themselves across the whole spectrum of government activity and departments.

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Governance, Human Wellbeing and the Welfare Regime

- Human Wellbeing can provide a good focus for a renewed dialogue between citizens and government (Hall and Rickard 2013) .
- The methodology of understanding what is important for people's wellbeing, and what the obstacles to achieving this are, can provide a basis for debate over a new political settlement to underpin an innovative welfare regime, that in turn supports an innovative economy and society.

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Thank you

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Presentation 2

Inclusive Welfare and Quality of Life in Korea

발표 2

포용적 복지와 삶의 질

Hae-sik Jung

Research Fellow, Korea Institute for Health and Social Affairs

정해식

한국보건사회연구원 연구위원



Contents

I. Introduction

II. OECD BLI: Structure and Current Application

III. Objective Conditions of Living and Issues in South Korea

IV. Subjective Well-being and Issues in South Korea

V. Conclusion: What to Do Now?

I . Introduction
PART.01

A Study of the Quality of Life of Korean, 2007

A Study of Determinants and Indicators of Happiness among Koreans, 2008

The Interaction Effects Between Governance and Social Capital on Life Satisfaction, 2018

Measuring and Analyzing the Korean Happiness Index, 2017

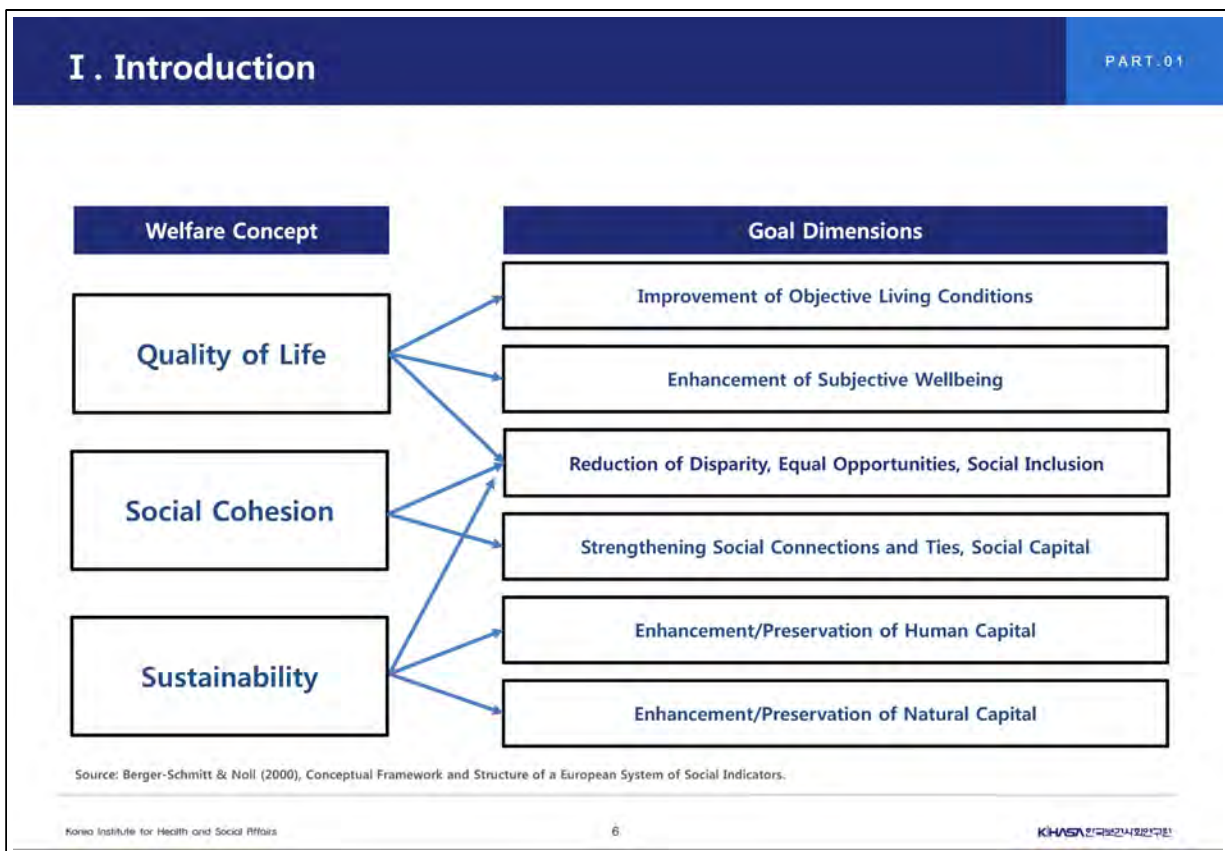
A Study of Social Cohesion and Happiness in Korea with Policy Recommendations, 2014

Policy Challenges of Improving Quality of Life for Koreans, 2018

A Comprehensive Study of Happiness and Quality of Life in Korea, in progress

In progress

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I. Introduction

PART.01

◆ Clear policy goals, but lacking detailed action plans

Government Reform Master Plan
(March 19, 2018)

- ✓ Toward a better life for all
 - Join the top 20 on the OECD Better Life Index (BLI) by 2022.
 - Rise by at least 10 steps on the BLI.

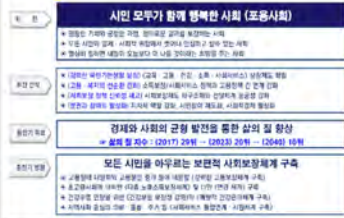


Fiscal Trends and Policy Directions
(October 2018)

- ✓ Rise to 15th place on the BLI by 2022.

Public Hearing on the 2nd Basic Social Security Plan
(December 2018)

- ✓ Rise to 20th place on the BLI by 2023 and 10th place by 2040.



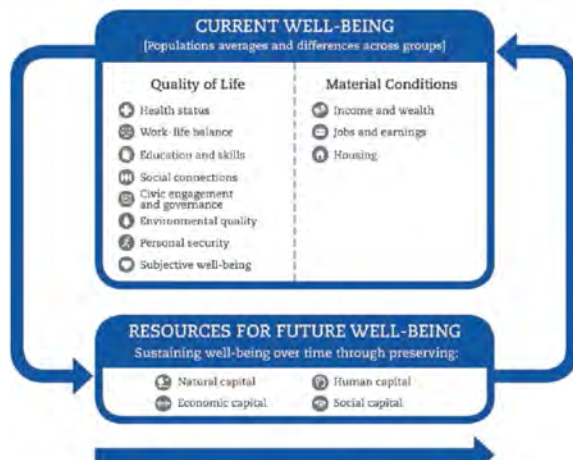
- ✓ Let us compare Korea to other countries worldwide.
- ✓ What are the policy conflicts we face today?
- ✓ Why inclusive welfare?

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II. OECD BLI: Structure and Current Application

PART.02

◆ The Stiglitz-Sen-Fitoussi Commission (Stiglitz et al., 2009) devised the Better Life Index (BLI) on behalf of the OECD (2011, pp. 18-20) as a multidimensional measure of wellbeing consisting of three dimensions, i.e., material conditions for living, quality of life, and sustainability.



The diagram illustrates the structure of the OECD Better Life Index (BLI). It is divided into two main horizontal sections. The top section, 'CURRENT WELL-BEING', is further divided into 'Quality of Life' and 'Material Conditions'. 'Quality of Life' includes: Health status, Work-life balance, Education and skills, Social connections, Civic engagement and governance, Environmental quality, Personal security, and Subjective well-being. 'Material Conditions' includes: Income and wealth, Jobs and earnings, and Housing. The bottom section, 'RESOURCES FOR FUTURE WELL-BEING', is described as 'Sustaining well-being over time through preserving' and includes: Natural capital, Economic capital, Human capital, and Social capital. Arrows indicate a flow from resources to current well-being and a feedback loop from current well-being back to resources.

Source: OECD (2017), How's Life? Measuring Well-Being, Paris, OECD Publishing, p.22

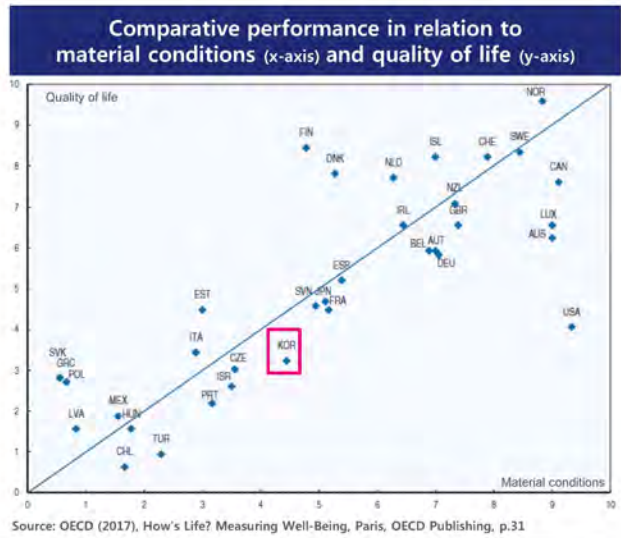
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II. OECD BLI: Structure and Current Application

PART.02

◆ Material conditions of living mostly bear a linear correlation to quality of life.

- ✓ Northern European countries (e.g., Finland, Norway, and Denmark) tend to have better quality of life than material living conditions.
- ✓ Along with Anglo-American countries (e.g., US, Canada, and UK), South Korea has relatively poor quality of life compared to material living conditions.

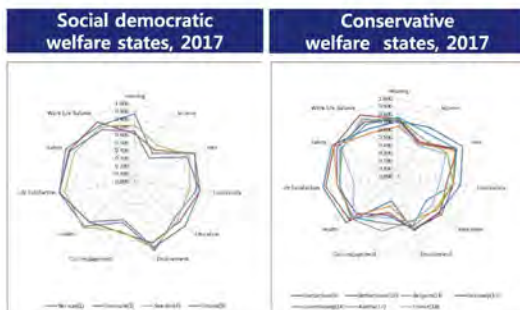


II. OECD BLI: Structure and Current Application

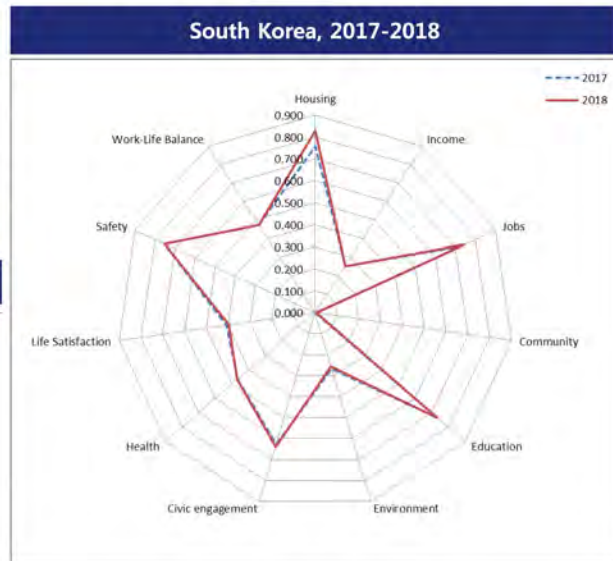
PART.02

◆ When graphed, Koreans' quality of life takes on a starfish-like shape, showing significant fluctuations among dimensions.

- ✓ As of 2017, South Korea ranked 29th among the 38 OECD member states compared (with equal weights applied to indicators and dimensions).
- ✓ The graphs tend to be rounder among social democratic countries in the higher ranks and conservative countries in the middle ranks.



Source: Jung et al., (2018).



II. OECD BLI: Structure and Current Application

PART 02

- ◆ France is on the trajectory of social development based on material conditions of living and quality of life in which South Korea is headed.
- ✓ Except for housing cost, in terms of which Korea outperforms France, and a few indicators along which Korea falls drastically short, Korea and France show similar performance along most indicators.

- ◆ Countries that have improved wellbeing

Israel (23rd to 20th)

Estonia (29th to 25th)

Source: Jung et al., (2018)

Korea vs. France

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III. Objective Conditions of Living and Issues in South Korea

PART 03

- ◆ Housing and financial assets: The unique structure of homeownership in Korea exerts a complex effect.
- ✓ The housing cost in Korea remains low thanks to the high homeownership rate and availability of *jeonse*, a lease system that allows renters to stay in residential properties rent-free for at least two years by depositing a large lump sum of money up front.
- ✓ The concentration of Koreans' wealth in homes and real estate has kept Korean households' net financial assets low.

Home occupancy types (%)

Year	Own	Jeonse	Monthly rent	Other
2006	55.6	22.4	17.2	4.9
2008	56.4	22.3	16.7	4.5
2010	54.3	21.7	20.2	4.0
2012	53.8	21.8	21.3	3.1
2014	53.6	19.6	23.2	3.5
2016	56.8	15.5	23.0	4.7
2017	57.7	15.2	22.5	4.7

Source: Statistics Korea (retrieved April 20, 2019).

Housing expenditure and mortgage loans

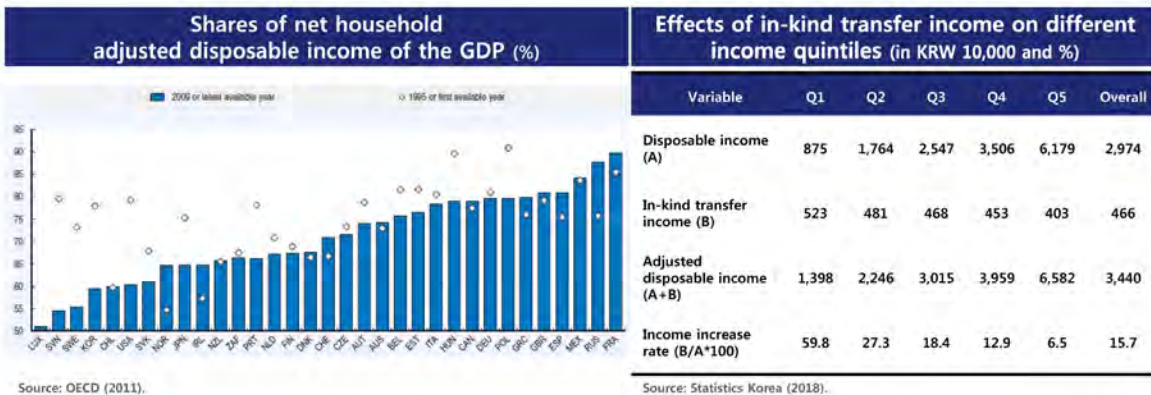
Source: Economic Statistics System (retrieved April 20, 2019).

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III. Objective Conditions of Living and Issues in South Korea

PART 03

- ◆ **Income:** There is a significant gap between Korea's GDP and net household adjusted disposable income.
 - ✓ Social security benefits and in-kind public transfers, accounting for much of the government's spending on welfare, remain ineffective in Korea.
 - Household adjusted disposable income is obtained by adjusting the household disposable income based on public in-kind transfers.



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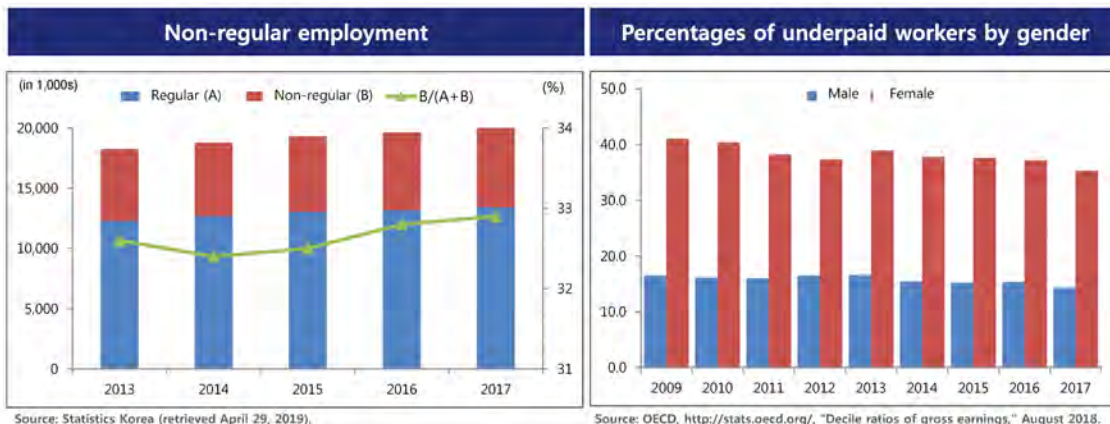
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III. Objective Conditions of Living and Issues in South Korea

PART 03

- ◆ **Work:** The labor market has grown increasingly volatile, while the employment rate has risen slowly.
 - ✓ The Korean policy of raising the overall employment rate through non-regular employment has failed, with a significant number of Korean workers working in precarious conditions today.
 - ✓ Low wages, long working hours, and economic insecurity have become commonplace.



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III. Objective Conditions of Living and Issues in South Korea

PART. 03

- ◆ **Work-life balance:** The Korean government has only recently prohibited companies from having employees work over 52 hours per week. But, the OECD's definition of long working hours is working more than 50 hours a week.
- ✓ However, the working hours of regular workers continues to decline.

Working hours in OECD member states

Source: OECD Statistics (retrieved on April 20, 2019).

Limiting working hours to 52 hours per week

기존	법정근로 주 40시간	연장근로 12시간	휴일근로 16시간	68시간
개정 (18.7.1)	법정근로 주 40시간	연장·휴일근로 12시간	52시간	

Source: <http://www.korea.kr/special/policyCurationView.do?newsId=148855270> (retrieved on April 04, 2019.)

노동시간 단축 이후 시간활용 및 시간 활용 계획

Source: <http://korea.kr/news/policyNewsView.do?newsId=148853693> (retrieved on April 04, 2019.)

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III. Objective Conditions of Living and Issues in South Korea

PART. 03

- ◆ **Environment:** Despite the public's growing concern over air pollution, little effort is being made at the individual level to reduce emissions.
- ✓ Particulate matter, 2017: Korea $28 \mu\text{g}/\text{m}^3$ (38th out of 38); Poland and South Africa $22 \mu\text{g}/\text{m}^3$ (36th out of 38).
- ✓ The debate between growth and environmental protection continues.

Concern over air pollution (%)

Source: Statistics Korea (retrieved April 20, 2019).

Mean population exposure to PM2.5 ($\mu\text{g}/\text{m}^3$)

Source: OECD Statistics (retrieved April 20, 2019).

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IV. Subjective Wellbeing and Issues in South Korea
PART.04

- ◆ **Unbridgeable gap between objective conditions of Living and subjective wellbeing**
 - ✓ Korea was ranked 22nd in terms of objective conditions, but came in 38th in terms of subjective wellbeing (both out of 38 countries).

- ◆ **Social connections** Social support for the state ranges from 85 to 95 percent in most OECD countries, but remains significantly lower at 76 percent in Korea.

- ◆ **Life Satisfaction** 5.8 points in Korea since 2012.
 - ✓ 7.8 points in high-ranking countries (e.g., Finland).

- ◆ **Health disparity between life expectancy and subjective health assessment**
 - ✓ Korea came in 11th in terms of health life, but 38th in terms of subjective health assessment in 2017.

Objective conditions (x-axis) and subjective well-being (y-axis)

Source: Jung et al., (2018).

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IV. Subjective Wellbeing and Issues in South Korea
PART.04

- ◆ **Life Satisfaction**
 - ✓ Subjective wellbeing generally follows a U-shaped curve, reaching its lowest point in the mid-40.
 - ✓ The cross-sectional graph of Koreans' subjective wellbeing, however, skews lower toward old age.

Life satisfaction over age (score)

Variables of Life Satisfaction: Comparison to OECD (Pooled OLS, Year FE)

Independent variables	Full countries	OECD countries	OECD countries (2009-)
Log GDP per capita	0.338***	0.100	0.022
Social support	2.334***	0.488	-0.169
Healthy life expectancy at birth	0.029***	0.057***	0.063***
Freedom to make life choices	1.056***	1.097***	1.041***
Generosity	0.820***	1.343***	1.612***
Perception of corruption	-0.579**	-1.183***	-1.172***
Number of countries (per year)	156(134)	34(32)	34(32)
Number of observations	1,118	272	212
Adj. R-squared	.738	.718	.723

Source: Jung et al., (2018).
Source: Jung (2016).

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IV. Subjective Wellbeing and Issues in South Korea

PART 04

- ◆ **Social support**
 - ✓ Koreans' private social support networks shrink as they age.
 - This is a problem, given the rising number of single-person senior households.
 - ✓ The structure of social support networks varies widely among seniors, depending on their marital and living status and annual household income.

Social support network over age (score)

Source: Jung et al., (2018)

Percentages of single-person senior households

Year	1990	1995	2000	2005	2010	2015	2016
Percentage	8.9	13.2	16.1	17.9	19.7	18.6	19.1

Source: Statistics Korea, Census

Seniors' social support networks

Source: Ministry of Health and Welfare (retrieved July 25, 2018).

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V. Conclusion: Why Inclusive Welfare?

PART 05

- ◆ **New understanding of growth and distribution: Focusing on quality of life**
 - ✓ BLI highlights the areas of quality of life in which Korea fares poorly.
 - Analyze Korea's shortcomings.
 - Analyze reasons for poor subjective wellbeing (e.g., dissatisfaction, anxiety).

- ◆ **Inclusive welfare**

A vision of a welfare state in which the blind spots of the social security network are eliminated and social security is strengthened, all toward making individuals happier, by channeling the fruits of economic growth into better income security and social services.

 - ✓ Institutional grounds for innovation
 - Active social policies toward establishing a virtuous cycle of economic growth, education, and employment
 - Inclusive welfare and policy basis for the expansion of the social security network

Inclusive growth and inclusive welfare

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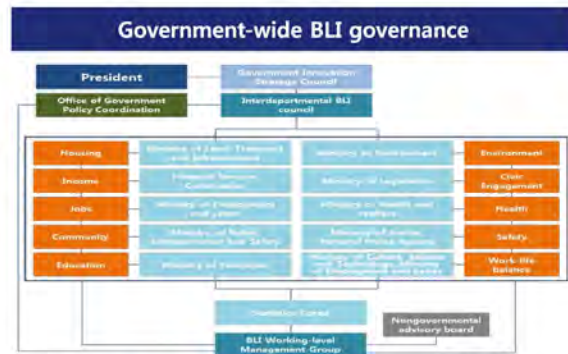
V. Conclusion: What to Do Now?

PART 05

- ◆ A system is needed to ensure the integration of BLI indicators and policy and the efficient management and implementation thereof.
 - ✓ As the BLI encompasses diverse policy areas, a centralized body of governance is needed to coordinate different ministries' responses.
 - A long-term government-wide process is needed to assess policy progress according to the BLI indicators.
 - Equally important is to change the policy direction and paradigm.
 - ✓ We need to use the BLI as a major instrument of policy assessment, applying it to evaluate and monitor policy performance.

- ◆ Quality of life can be improved only through the effective coordination of diverse policy responses.

- ✓ Government-wide BLI governance should aim not to monitor the implementation of individual indicators, but to achieve effective policy coordination.
- ✓ Reducing policy conflicts, enhancing the complementary functions of policies, etc.



Source: Jung et al. (2018)

V. Conclusion: How?

PART 05

- ◆ By local communities, for local communities
 - ✓ Local communities are where concrete efforts are being made to improve subjective wellbeing (e.g., social connections, water pollution reduction, and sense of security when walking at night).
 - The central government can provide overall policy trajectories and intervention on behalf of the vulnerable and at-risk population.
 - ✓ Local governments need motivation to take action.

Region	Education	Jobs	Income	Security	Health	Environment	Civic engagement	Service accessibility	Housing	Social connections	Life Satisfaction
Seoul-Gyeonggi-Incheon	8.8	7.4	3.9	8.6	9.1	0.0	7.3	10.0	2.2	3.1	3.3
Gyeongnam	7.8	6.9	3.7	8.5	7.4	0.0	7.3	10.0	2.8	2.5	3.3
Gyeongbuk	7.1	7.2	3.4	9.0	7.7	0.0	7.2	10.0	3.3	0.3	2.2
Jeolla	6.5	7.2	3.3	9.0	7.7	0.0	7.8	10.0	3.3	1.7	3.0
Chungcheong	7.5	7.7	3.5	8.6	8.2	0.0	6.8	10.0	2.8	2.7	3.7
Gangwon	6.3	7.1	3.2	8.8	7.2	0.0	6.7	10.0	2.8	1.4	2.2
Jeju	7.6	8.9	3.5	4.9	9.4	2.1	6.3	10.0	2.8	2.1	2.6

Note: Measured on a scale ranging from zero to 10 points.
Source: OECD Regional Wellbeing, www.oecdregionalwellbeing.org (retrieved July 10, 2018).

Thank you

