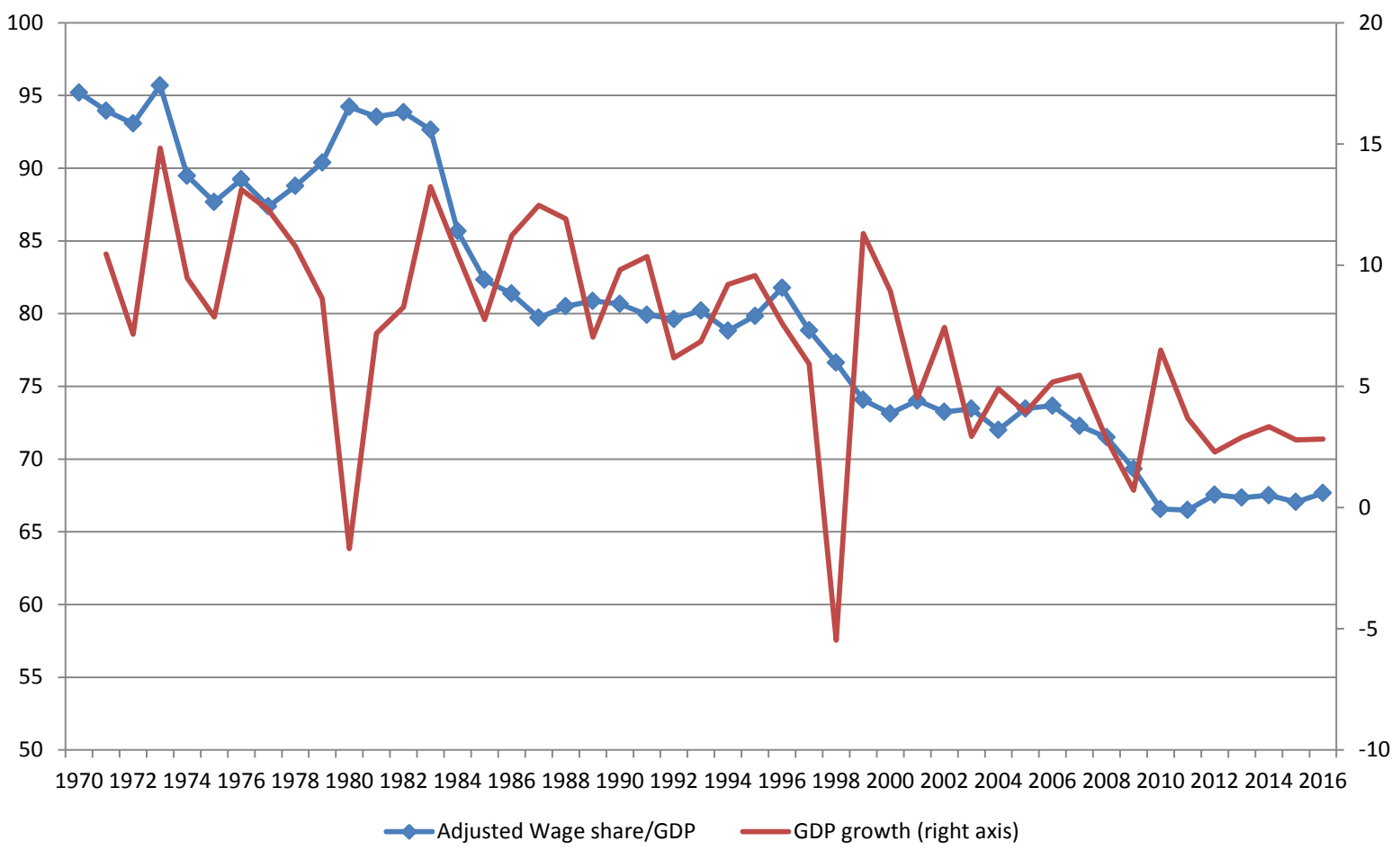


Policies for an Equality-led development in Korea

Özlem Onaran



Adjusted wage share and growth in Korea



*Adjusted labour share= compensation per employee*Total employment/GDP at factor cost

Empirical findings: What happens when wage share ↓?

(Onaran & Galanis 2012/14, UN/ILO / EPA on G20)

- Negative effect on consumption is larger than the positive effect on investment in all developed and developing countries inc Korea
 - Domestic economy (consumption + investment) is wage-led
- Net export effects on growth not too important in large economies
 - Korea, US, Japan, EU as a whole, and other large economies are wage-led
- Korea: a 1%-point fall in the wage share → GDP ↓ by 0.1%;
- Global race to the bottom: a 1%-point fall in the wage share
 - global GDP ↓ by 0.36%; Korean GDP ↓ by 0.9%; EU15 GDP ↓ by 0.27%
- Conversely a global wage-led recovery scenario:
 - Global GDP ↑ by 3%, Korean GDP ↑ by 7%; EU GDP ↑ by 2.4%

Short-term demand vs. long run potential growth and productivity

- Long Run: productivity increases when wages, demand and investment increase.
- Productivity needs investment but increasing profits does not always lead to higher private investment
 - Investment is more sensitive to demand and lower wages ->low demand
 - Investment is not profit-led in many countries (Obst, Onaran, Nikolaidi 2017, EU15)
- inequality→lower productivity & potential growth
- Low road labour market policies and low wages → low productivity in LR
- High road labour market policies and high wages→high productivity LR

Wage-led growth = Equality-led growth

(Onaran, Oyvat, Fotopoulou 2018)

- wage share \uparrow & gender gaps \downarrow \rightarrow upward convergence & \uparrow equality
 - \rightarrow higher growth in a wage-led economy
 - Wage-led growth = Equality-led growth

A coordinated policy mix of equality-led recovery and public investment

- Effects of wage-led recovery on growth and hence employment however is modest, albeit positive.
- ->A wage-led recovery scenario and public investment stimulus in G20 (Onaran 2014 L20)
- increase wage share by 1%-5% +public investment by 1% of GDP in each country in the next 5 years in G20
- Public investment impact is very strong
- Public investment crowds in private investment
- Effects are stronger when policies implemented simultaneously
- →9-13% more growth in Korea; 3.9-5.8% more growth in G20

Policy Implications

- mobilize all the tools of economic policy
→ importance of wage and fiscal policy coordination
- Avoid beggar thy neighbour policies
- Regional cooperation
- Wage-led development is an option also in a single country such as Korea, but effects are stronger if coordinated

...Policy Implications

- Labour market policies
 - Increase the bargaining power of labour via
 - regulating the labour market
 - improving the union legislation,
 - increasing the coverage of collective bargaining
 - Close gender wage gaps
 - gender equality-led growth
 - Establishing sufficiently high minimum wages
 - Regulating high/executive pay by enforcing pay ratios
- Re-orienting macroeconomic policies towards full employment
 - public investment in both social & physical infrastructure
- Re-distribution: more progressive taxation of income and wealth
- Reversing financialization; taxation and corporate governance
- Shorter working time in parallel with the historical growth in productivity.

- Equitable and sustainable development needs **green** and **purple** public investment and **pay rise** for both women and men and **shorter hours!**
- Advice:
- Take care of full employment, decent pay for women and men, equality, and ecological sustainability, and the budget will take care of itself.

Capital gobbles labour's share, but victory is empty

The big picture

Steve Johnson looks at the wider negative implications of falling wages

In 1958, Walter Reuther, a powerful US union leader was taken on a tour of a newly automated Ford Motor plant. "Aren't you worried about how you're going to collect union dues from all these machines?" he was asked by a (no doubt smug) company manager.

"The thought that occurred to me," Mr Reuther replied, "was how are you going to sell cars to these machines?"

Fifty-five years on, such a debate may be even more pertinent. In the innocent days of 1958, wages accounted for half of America's gross domestic product.

labour's share of the pie than the US or UK.

Richard Lewis, head of global equities at Fidelity Worldwide Investment, who has studied this trend, believes it to be structural rather than cyclical, and therefore unlikely to reverse.

Mr Lewis says globalisation has "lowered the power of labour to bargain," resulting in de-unionisation and the "emasculat[i]on" of workers.

Simultaneously, companies have been able to optimise their tax regimes and can engage in both "financial expense" arbitrage (borrowing in the cheapest countries) and regulatory arbitrage.

Most importantly, however, he says globalisation and a move towards supranational corporate entities has made it possible for companies to consolidate their industries more effectively.

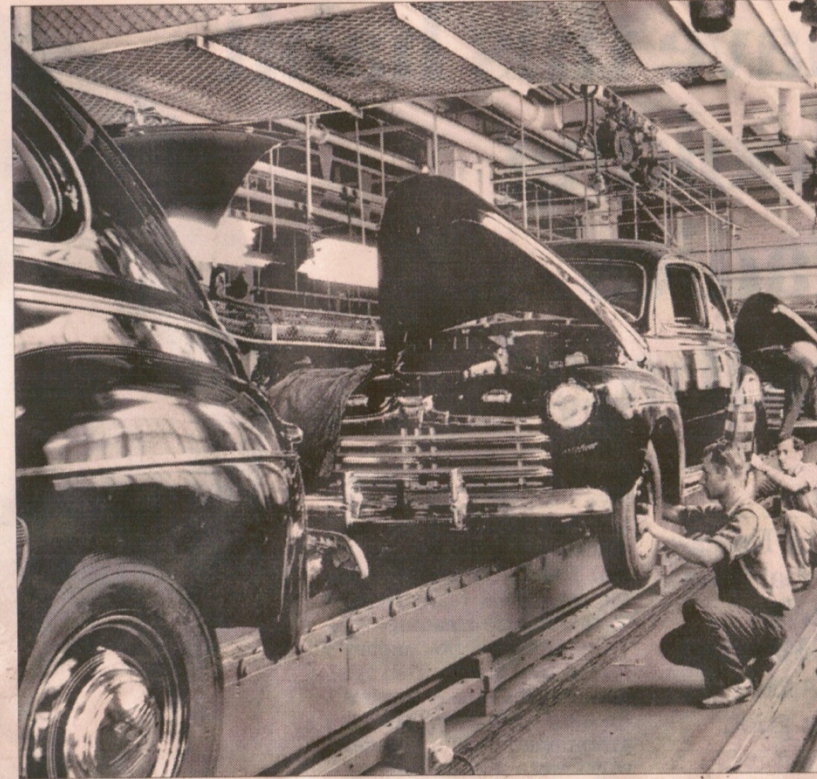
What all this means for the investment community is perhaps a little less clear-cut. Onaran and Galanis

labour will continue to be squeezed.

Frances Hudson, global thematic strategist at Standard Life Investments, believes this geographic divide opens the way for relative value trades that favour companies in countries that are becoming more competitive.

To complicate matters further, the academics found the global effect of a squeeze on labour was negative, as the heightened export competitiveness enjoyed by countries with weak wage growth simply reduced the competitiveness of its trading partners - a form of "beggar thy neighbour". A one percentage point fall in labour's share was found to reduce global GDP by 0.36 points.

With this in mind, Mr Greenberg believes we may have to start thinking about a "post-growth" world. "The revenue numbers of the S&P 500 are basically stagnant. Is that going to reverse any time soon? I don't see how it



In 1958, labour's share of economic output accounted for half of US GDP, but this has fallen to 42% today. Increasing globalisation and technology, this has fallen to 42%

right all along, and that capitalism ultimately sows the seeds of its own destruction, "when there is no consumer demand and it all falls over".

Mr Greenberg paints a picture of a bleak future

with, barring a "mass uprising", "McJobs" increasingly the norm.

"One thing that does need to change is the idea of shareholder value being the only responsibility of a company," he says, alluding

to the 19th century workers, "who took responsibility for their communities. They sense that your responsibility for

Mr Reuther doubt have con



경제

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“분배는 성장의 결과가 아니라 원천이다”

한겨레경제사회연 '소득주도 성장' 좌담

참석자

- 스톡헤어 영국 킹스톤대 교수
- 오나란 영국 그리니치대 교수
- 이상현 ILO 사무차장 정책특보
- 최명준 연세대 교수 (사회)
- 정해주 고려대 교수
- 주상영 건국대 교수
- 김민영 중앙대 교수



11일 오후 서울 마포구 공덕동 (한겨레) 회의실에서 '소득주도 성장론의 좌표와 성장 소득주도 성장의 경제·사회정책적 논의의 좌담이 열려 참석자들이 발언하고 있다. 이번 좌담회는 한겨레경제사회연구원, 비판과 대안을 위한 사회복지학회, 킴블라니사회경제연구소 주최로 열렸다. 신소영 기자 viator@hani.co.kr

최근 정치권과 학계에선 문재인 정부의 '소득주도 성장' 정책을 둘러싼 논쟁이 뜨겁다. '소득주도 성장론'은 가계의 처분가능소득을 키워 성장을 도모하는 전략이다. 대기업 감세나 규제 완화를 위주로 한 성장 전략을 취해온 역대 정부의 경제정책과는 접근 방식이 확연히 다르다. 하지만 주류 경제학계에선 '국가경제를 상대로 한 검증되지 않은 정책 실험'이라는 의구심을 쏟아낸다. "소득주도 성장론은 사회적 자본을 축적하지 못한다"

왜야 한다는 점을 꼽았다. 그는 "이 두가지는 모두 다 '나랏돈'이 들지 않는다. 정부의 의지가 더 중요한 셈이다. 앞서 말한 재정 지출 확대로 주거나 교육, 건강, 보건, 그린에너지 등 사회 투자를 늘려가는 것도 중요하다. 이 과정에서 정부가 사회서비스 분야에 공공일자리를 적극적으로 만들어 갈 필요도 있다. 이는 여성과 남성 간 임금 격차를 줄이는 데도 기여한다"고 설명했다.

이 특보는 "노동과 자본 간의 분배뿐만 아니라 자본 내부의 격차, 노동 내부의 격차를 줄이는 정책도 소득주도 성장의 핵심 과제"라고 말했다. "한국은 기업 규모에 따라 기업의 실적에 큰 차이가 있고, 근로형태에 따라 노동 내부에서도 거대한 차이가 존재한다. 이런 차이는 앞서 말한 지대가 한국 경제에 크게 존재한다는 뜻이기도 하다. 그런 점에서 공정한 경쟁 구조를 만들기 위한 정책도 소득주도 성장 정책의 중요한 부분이다."

Interview at South Korean daily newspaper, Hankyoreh, 13 Oct 2017

“Distribution is not the result of the growth, but the source of the growth.”

“When wage is raised, productivity will also be raised”.

http://www.hani.co.kr/arti/economy/economy_general/814287.html

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