

**SYSTEM OF GOVERNMENT: Presidential**

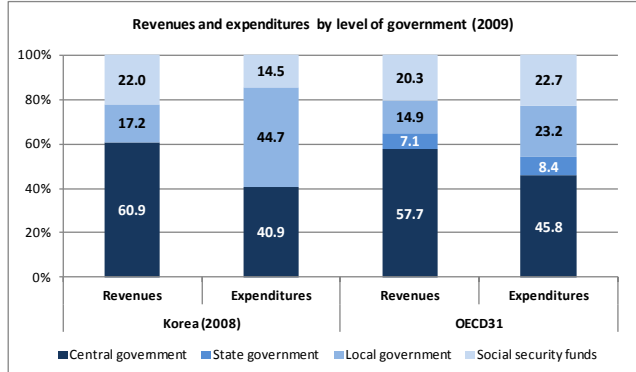
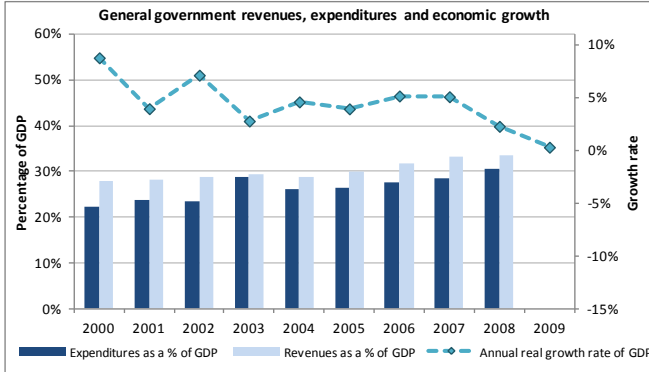
- No. of ministries: 15 (2010)
- No. of governments over last 20 years: 5

**STATE STRUCTURE: Unitary**

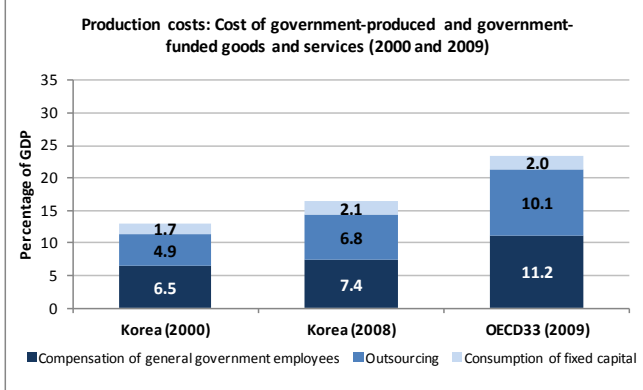
**LEGISLATURE: Unicameral**

- Upper house: none
- Lower house: elected using Semi-Proportional Representation

Revenues and expenditures as a share of GDP have gradually increased since 2000 as the government has developed a social safety net. Despite these increases, Korea still has one of the smallest governments in the OECD. Compared with other OECD countries, local governments represent a large share of total expenditures although most of their revenues are grants or transfers from the central government. Social security funds account for a much larger proportion of revenues than expenditures, largely because the social safety net is still being developed.

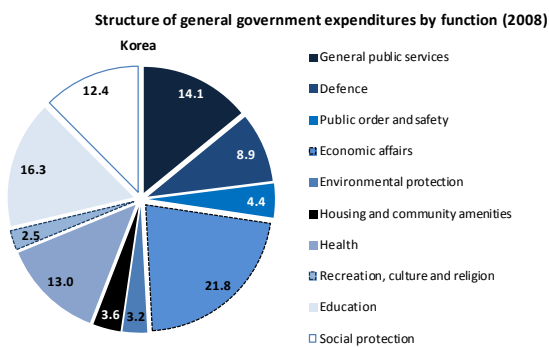


Source: OECD National Accounts and Economic Outlook 89. [\[Revenues\]](#) [\[Expenditures\]](#) [\[Revenues by level of government\]](#) [\[Expenditures by level of government\]](#)



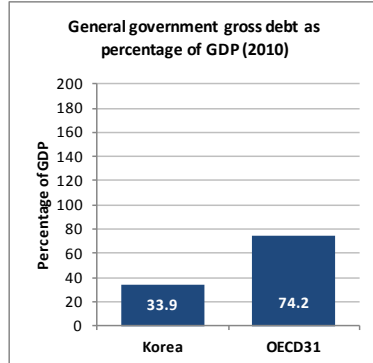
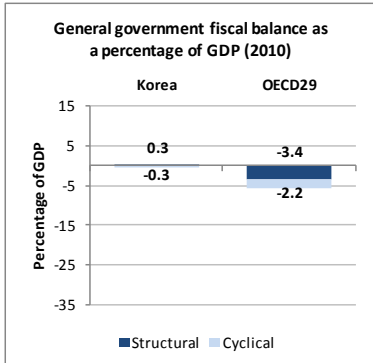
Source: OECD National Accounts. [\[Production costs\]](#)

About 16% of the economy was devoted to producing public goods and services in 2008, well below the OECD average of 23.3%. Production costs as a share of GDP increased from 2000 to 2009, with the largest increase in costs associated with outsourcing. However, Korea still uses the private sector to produce and/or provide public goods and services relatively less than other OECD countries, although it relies on capital in the production process to a much larger extent.



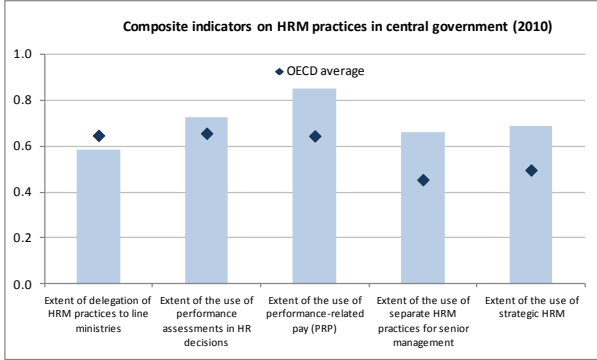
Source: OECD National Accounts. [\[Expenditures by function\]](#)

The structure of Korean government expenditures is somewhat different than the average OECD country, with a much higher share of expenditures devoted towards defence and economic affairs balanced by a low share of resources devoted to social protection.



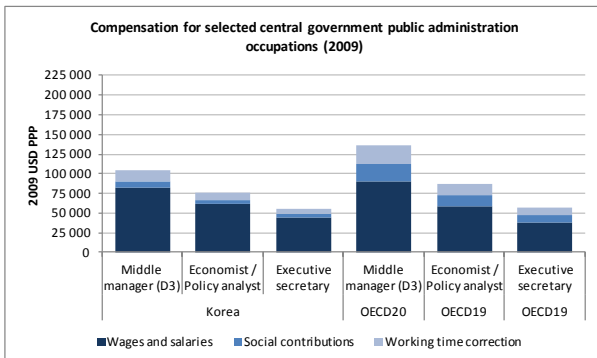
Source: OECD Economic Outlook 89. OECD average refers to the unweighted average. [\[Fiscal balance\]](#) [\[Debt\]](#)

Given Korea's consistent fiscal surpluses and relatively low debt level (33.9% of GDP in 2010), the government responded to the sharp economic downturn with one of the largest fiscal packages among OECD countries. The National Fiscal Management Plan for 2010-14 aims to reduce the deficit to 0.4% of GDP in 2013 and achieve a surplus by 2014 by ending the stimulus, sunsetting subsidies, improving the efficiency of social security delivery and broadening the tax base. Indeed, the Korean government achieved fiscal balance in 2010. Maintaining a low public debt burden is an important priority for Korea, given rapid population ageing and uncertainty about the eventual cost of greater economic integration with North Korea.



In the Korean central government's HRM system, responsibility for most HRM functions are shared between the Centre and the line ministries, except pay setting that is firmly controlled by the Centre. There is a strong performance focus with the wide use of performance assessments and performance-related pay. Korea has a designated senior civil service and HRM practices for senior civil servants are substantially different from other government employees'. Strategic HRM is better developed in Korea than in many OECD countries, with HRM targets directly feeding into the performance of top and middle managers, the strategic use of workforce planning, and HRM capacity reviews of departments.

Source: OECD 2010 Strategic HRM Survey. [\[Delegation\]](#) [\[Performance assessment\]](#) [\[PRP\]](#) [\[Senior management\]](#) [\[Strategic HRM\]](#)



Middle managers, economists/policy analysts and executive secretaries in the Korean public service receive total compensation packages slightly below the OECD average. Wages and salaries make up 80% of total compensation, and social contributions only 7%. This contrasts with the average rates of 66% and 16%, respectively. The compensation structure is also somewhat flatter, with middle managers making 1.4 times more than economists/policy analysts, and 1.9 times more than executive secretaries. Korean public employees are required to work 40 hours per week, and work on average 227 days per year. Total working time is towards the higher end of the OECD range.

Source: OECD 2010 Compensation Survey. [\[Middle managers\]](#) [\[Economist/Policy Analyst\]](#) [\[Executive Secretary\]](#)

Working time correction brings countries to the same basis of comparison in terms of annual working hours (accounting for weekly working hours and holidays).














### Transparency in public procurement, 2010

	Central proc. website	Contracting entity website	Domestic printed or electronic journal	Other website	Pct. OECD countries that publish info
Information for potential bidders	Yes	Yes	No	No	97%
Selection & evaluation criteria	Yes	No	No	No	97%
Tender documents	Yes	Yes	No	No	82%
Contract award	Yes	No	No	No	100%
Justification for award	Yes	No	No	No	59%
Tracking procurement spending	Yes	No	No	No	32%
Percentages refer to the share of OECD countries that reported publishing information "always" or "sometimes".					

Achieving greater transparency in public procurement is important, especially given that Korea spent an estimated 12% of GDP on procurement in 2008. Korea has a well-developed single procurement website. KONEPS is a cyber market where public organisations and supplying companies conduct transactions. All bidding information can be accessed at KONEPS, and a one-time registration process in the portal is sufficient to participate in all biddings of any organisation. According to Korea, using KONEPS has allowed it to save up to USD 4.5 billion in transaction costs each year; 90% of this value has been related to cost savings in requesting information and visiting government agencies for private enterprises. Additionally, contracting entity websites may disclose information for potential bidders, procurement plans and tender documents. Furthermore, Korea is one of the few OECD member countries that allows tracking procurement spending on line. Providing an adequate degree of transparency throughout the entire public procurement cycle is critical to minimise risk of fraud, corruption and mismanagement of public funds in order to ensure fairness and equitable treatment of potential suppliers. Additionally, it allows for effective oversight by concerned institutions and the general public.

Source: OECD 2010 Survey on Public Procurement. [\[Transparency in public procurement\]](#)

**REGULATORY GOVERNANCE**
**Regulatory governance mechanisms, 2008**

Functions of the oversight body	Percentage of OECD countries responding "yes"		KOREA
Consulted as part of process of developing new regulation	2005	 73%	Yes
	2008	 82%	Yes
Reports on progress made on reform by individual ministries	2005	 43%	Yes
	2008	 56%	Yes
Authority of reviewing and monitoring regulatory impacts conducted in individual ministries	2005	 43%	Yes
	2008	 50%	Yes
Conducts its own regulatory impact analysis	2005	 43%	Yes
	2008	 47%	Yes
<b>Anticipating compliance and enforcement</b>			
Regulatory policies require that issue of securing compliance and enforcement be anticipated when developing new legislation	2005	 57%	Yes
	2008	 70%	Yes
Guidance for regulators on compliance and enforcement	2005	 37%	Yes
	2008	 47%	Yes
Existence of policy on risk-based enforcement	2005	N.A.	N.A.
	2008	 30%	No

This table presents two elements drawn from the wide range of activities for managing regulatory quality.

The government of Korea has developed an institutional structure for regulatory management. The key central oversight body promoting regulatory co-ordination and management capacities in Korea is the Regulatory Reform Committee (RRC). The RRC is supported by the Regulatory Reform Bureau, which is located in the Prime Minister's Office.

The RRC is composed of 17 representatives from the private sector and 6 government officials. It has wide-ranging responsibilities and powers, including the preparation of annual reform plans, establishment of guidelines on regulatory reform and quality control across the government, consultation with stakeholders and the public, and the review of new and amended legislation as well as the review of regulatory impact analysis prepared by ministries. The Regulatory Reform Task Force (RRTF) was established in 2004 to focus on reforming cross-ministerial regulations. Having been established with a short mandate, the task force was dissolved in 2008.

The government of Korea has not developed an explicit risk-based policy on enforcement. The 2008 OECD Survey on Regulatory Management shows, however, that the RRC has integrated compliance and enforcement in the regulatory impact assessment procedure, and produced guidance for regulators on compliance and enforcement.

Source: OECD 2008 Survey on Regulatory Management; OECD (2007), *Korea – Progress in Implementing Regulatory Reform*, OECD Reviews of Regulatory Reform, OECD Publishing, Paris. [\[Oversight bodies\]](#) [\[Compliance and enforcement\]](#)

**OPEN GOVERNMENT**
**Disclosure of public sector information, 2010**

Types of information disclosed	Proactive disclosure		
	Korea	OECD32	Publication channels
Budget documents	●	94%	MA
Audit reports	●	72%	MA
List of public servants and their salaries	○	28%	Not published
<b>Sharing of administrative data</b>			
Administrative data sets	●	66%	MA
Requirements on publishing in open data formats	Yes	53%	–
<ul style="list-style-type: none"> <li>● Required to be proactively published by FOI laws</li> <li>⊙ Not required by FOI laws, but routinely proactively published</li> <li>○ Neither required nor routinely published</li> </ul> <p>CP= central portal; MA= ministry or agency website; OW=other website            OECD percentages refer to the percentage of the 32 responding OECD countries that either require that information be published by law or do not require it but routinely publish information.</p>			

Korea's Freedom of Information legislation- which includes among other provisions the Official Information Disclosure Act- requires the government to proactively publish budget documents, audit reports and administrative data sets. This information is generally published also in over half of OECD countries. The government has also put in place requirements to publish information in open data formats to allow for the re-use of information by other parties. Lists of public servants and their salaries, however, are not published. Only 28% of countries do so. Further information regarding FOI legislation and procedures in Korea is available online on a central portal: [www.open.go.kr](http://www.open.go.kr).

Source: OECD 2010 Survey on Access to Information. [\[Disclosure of information\]](#) [\[Publication channels\]](#)

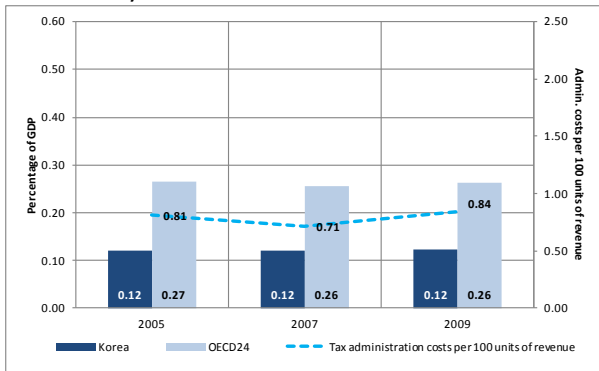
**E-GOVERNMENT**
**E-Government building blocks and e-procurement, 2010**

e-enabling laws and policies	Korea	OECD25
Recognition & use of digital signature	..	100%
Electronic filing within the public sector	..	88%
Administering PPPs for e-government projects	..	64%
<b>Services offered on single-entry procurement website</b>		
Tender searches	●	62%
Tracking of outcomes of contracts	●	32%
OECD percentages refer to percentage of responding countries answering in the affirmative. ● Yes ○ No .. Data unavailable		

Similar to most OECD countries with a single-entry procurement website, Korea allows businesses to perform tender searches, which facilitates access to procurement opportunities and ensures greater equality in the access to information. Korea is part of a small group of OECD countries that also allows users to track the outcomes of contracts, making the procurement process more transparent. No data are available for Korea regarding e-government laws and policies.

Source: OECD 2010 e-Government Survey and OECD 2010 Public Procurement Survey. [\[E-enabling laws\]](#) [\[E-procurement\]](#)

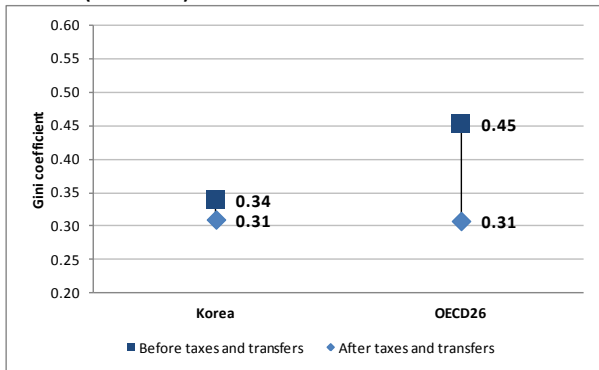
### Tax efficiency: Total revenue body expenditures as a percentage of GDP and tax administration costs per 100 units of revenue (2005, 2007 and 2009)



Growing fiscal constraints have led to increased attention on improving the efficiency of tax administrations. The “cost of collection ratio,” for instance, is one efficiency measure which compares the annual administration costs incurred by a revenue body with the total revenue collected over the course of a fiscal year. Over time, a decreasing trend could reflect greater efficiency in terms of lowered costs and/or improved tax compliance. In Korea, the administration costs of collecting 100 units of revenue decreased from 2005 to 2007 before increasing once more by 2009. Total revenue body expenditure as a percentage of GDP has remained relatively stable during this period suggesting the change in ratio from 2007 to 2009 could be partly explained by macroeconomic conditions such as a marked drop in revenues and GDP following the crisis. Total revenue body expenditure as a percentage of GDP is nearly half that of the OECD average.

Source: OECD (2011), Tax Administration in OECD and Selected Non-OECD countries: 2010 Comparative Information Series, OECD Publishing, Paris. [\[Total revenue body expenditures\]](#) [\[Tax administration costs per 100 units of revenue\]](#)

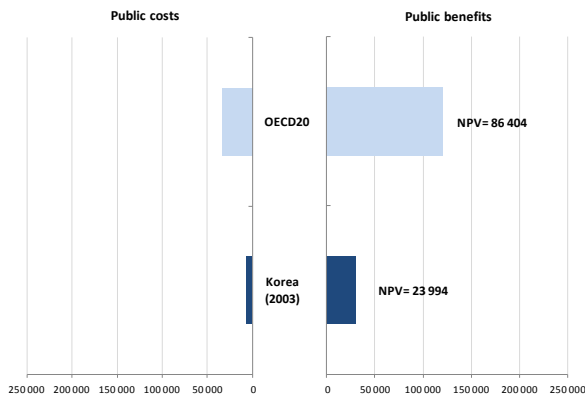
### Differences in income inequality pre- and post-tax and government transfers (mid-2000s)



One method of evaluating the effect of government tax and transfer policies on income inequality is by assessing a country’s Gini coefficient before and after taxes and transfers. The effect of government redistributive policies on income inequality is lower in Korea than the OECD average. Korea achieved a 0.03 point reduction in the Gini coefficient following its tax and transfer policies, compared to an average 0.14 point reduction in OECD countries. Cash benefits in Korea are among the lowest in OECD countries, accounting for 4% of household disposable income compared to over 30% in countries such as Austria, Belgium, France, Hungary, Luxembourg, Poland and Sweden. However, the average gini coefficient after taxes and transfers is on par with that of the OECD average.

Source: OECD (2008), Growing Unequal? Income Distribution and Poverty in OECD Countries, OECD Publishing, Paris. [\[Differences in inequality\]](#)

### Public net present value for male obtaining tertiary education as part of initial education (2006), USD PPP



Both government and society gain economic benefits from increased schooling. Obtaining a tertiary education helps people enter the labour market and earn more, thereby increasing government tax revenues. A more educated and employed population can also reduce the government obligations for benefits and social assistance. The public net present value (NPV) for a man obtaining tertiary education represents the public economic returns to education after having accounted for the costs of this education. At around USD 24 000, Korea’s public NPV is among the lowest in the OECD, although it also incurs the lowest public costs. As such, the NPV is over three times the net public investment in tertiary education, providing a strong incentive to expand higher education.

Source: OECD (2010), Education at a Glance 2010: OECD Indicators, OECD Publishing, Paris. [\[Public NPV of education\]](#)

**Production costs** are a subset of total government expenditures, excluding government investment (other than depreciation costs), interest paid on government debt and payments made to citizens and others not in exchange for the production of goods and services (such as subsidies or social benefits). Production costs include compensation costs of general government employees, outsourcing (intermediate consumption and social transfers in kind via market producers), and the consumption of fixed capital (indicating the level of depreciation of capital).

**Structure of government expenditures:** Data on expenditures are disaggregated according to the Classification of the Functions of Government (COFOG), which divides government spending into 10 functions. More information about the types of expenditures included in each function can be found in Annex B of *Government at a Glance 2011*.

**“Gross general government debt”** refers to general government gross financial liabilities that require payments of principal and interest. For the European Union countries, gross public debt according to the Maastricht criteria is not presented here (see Annex Table 62 of OECD Economic Outlook No. 89). These data are not always comparable across countries due to different definitions or treatment of debt components. Gross debt is used rather than net debt due to the difficulties in making cross-country comparisons of the value of government-held assets, and because it is more relevant in the context of debt interest payments.

**HRM Composites:** The indexes range between 0 (low level) and 1 (high level). Details about the theoretical framework, construction, variables and weighting for each composite are available in Annex E at: [www.oecd.org/gov/indicators/govata glance](http://www.oecd.org/gov/indicators/govata glance).

- The **delegation index** gathers data on the delegation of determining: the number and types of posts needed in an organisation, the allocation of the budget envelope, compensation levels, position classification, recruitment and dismissals, and conditions of employment. This index summarises the relative level of authority provided to line ministries to make HRM decisions. It does not evaluate how well line ministries are using this authority.
- The **performance assessment index** indicates the types of performance assessment tools and criteria used, and the extent to which assessments are used in career advancement, remuneration and contract renewal decisions, based on the views of survey respondents. This index provides information on the formal use of performance assessments in central government, but does not provide any information on its implementation or the quality of work performed by public servants.
- The **performance-related pay (PRP) index** looks at the range of employees to whom PRP applies and the maximum proportion of base pay that PRP may represent. This index provides information on the formal use of performance related pay in central government, but does not provide any information on its implementation or the quality of work performed by public servants.
- The **senior management index** looks at the extent to which separate management rules and practices (such as recruitment, performance management and PRP) are applied to senior civil servants, including the identification of potential senior civil servants early in their careers. The index is not an indicator of how well senior civil servants are managed or how they perform.
- The **strategic HRM index** looks at the extent to which centralised HRM bodies use performance assessments, capacity reviews and other tools to engage in and promote strategic workforce planning, including the use of HRM targets in the assessments of middle and top managers. The index does not reflect situations where strategic workforce planning has been delegated to the ministry/department/agency level.

**Compensation data:** Total compensation includes wages and salaries and employers’ social contributions (those to statutory social security schemes or privately funded social insurance schemes, as well as unfunded employee social benefits paid by the employer, including pension payments paid through the state budget rather than through employer social contributions (mostly for some pay-as-you-go systems)). In most cases data are for six central government ministries/departments only (interior, finance, justice, education, health and environment or their equivalents). Working time adjustment compensates for differences in time worked (both weekly working time and holidays). Compensation was converted to US dollars using purchasing power parities (PPPs) for GDP from the OECD National Accounts database. Differences in compensation policies can be the result of different bargaining powers; the state of the labour market (such as compensation in the private sector for similar positions); specific labour shortages; and the attractiveness of the government as an employer. While the survey uses the International Standard Classification of Occupations (ISCO) to standardise job categories, full comparability of responsibilities behind the occupational titles across countries presents difficulties in some cases. Annex D in *Government at a Glance 2011* fully details all limitations to data comparability, including those related to the measurement of employer’s social contributions (which were based on sources outside the survey for a number of countries, leading to potential inconsistencies).

**Regulatory governance:** The OECD average refers to the following number of countries:

- Functions of oversight bodies 2005: OECD30. Data are not available for Chile, Estonia, Israel and Slovenia.
- Functions of oversight bodies 2008: OECD34. Data for Chile, Estonia, Israel and Slovenia refer to 2009.
- Anticipating compliance and enforcement 2005 and 2008: OECD30. Data are not available for Chile, Estonia, Israel and Slovenia.

**Tax efficiency:** Tax administration efficiency ratios are influenced by differences in tax rates and the overall legislated tax burden; variations in the range and in the nature of taxes collected (including social contributions); macroeconomic conditions affecting tax receipts; and differences in the underlying cost structures resulting from institutional arrangements and/or the conduct of non-tax functions.

**Differences in income inequality pre- and post-tax and government transfers:** The values of the Gini coefficient range between 0 in the case of “perfect equality” (*i.e.* each share of the population gets the same share of income) and 1 in the case of “perfect inequality” (*i.e.* all income goes to the individual with the highest income). Redistribution is measured by comparing Gini coefficients for market income (*i.e.* gross of public cash transfers and household taxes) and for disposable income (*i.e.* net of transfers and taxes).

**Public net present value for male obtaining tertiary education:** Tertiary education refers to levels 5 and 6 in the International Standard Classification of Education (ISCED 97). Public costs include lost income tax receipts during the schooling years and public expenditures related to tertiary education. Public benefits include additional tax and social contribution receipts associated with higher earnings, and savings from transfers (housing benefits and social assistance) that the public sector does not have to pay above a certain level of earnings. The discount rate is set at 3%, which largely reflects the typical interest on an investment in long-term government bonds in an OECD country.