

## KOREA

With growth rates of labour productivity and GDP per capita remaining well above other OECD countries, Korea has continued to narrow its substantial income gap relative to the average OECD level.

### Policy priorities

#### **Ease employment protection for regular workers**

**Challenge and recommendations:** To reverse the growing proportion of non-regular workers in the labour force, which creates equity and efficiency concerns, it was recommended that the conditions on collective dismissals be relaxed and that the social safety net, particularly employment insurance, be further developed.

**Actions taken:** A “Roadmap” for reform, including some easing of conditions on collective dismissals, has been prepared for discussion by the social partners.

#### **Reduce producer support to agriculture**

**Challenge and recommendations:** To improve economy-wide and global efficiency, it was recommended that the level of support to agriculture be further reduced, while shifting its composition from market price supports to direct payments, and that limits on land ownership be removed to raise productivity.

**Actions taken:** Special treatment of rice will be extended to 2014, while doubling the minimum market access of imports from 4 to nearly 8% of domestic consumption.

#### **Further liberalise services**

**Challenge and recommendations:** To promote greater competition in product markets, especially in services, it was recommended that network industries be restructured, that procedures for opening large retail stores be simplified, and that anti-competitive practices in professional services be prevented.

**Actions taken:** The Korea Fair Trade Commission abolished or reformed 56 anti-competitive regulations and is now reviewing 94 additional regulations with the Regulatory Reform Committee. The Committee has also launched a two-year review of the existing 8 000 regulations. Measures to relax the limit on the size of new large-scale stores and to simplify administrative procedures are underway. The government is preparing a policy package to improve competition in ten services, including law and accounting.

#### **Remove barriers to foreign direct investment**

**Challenge and recommendations:** To promote foreign direct investment, it was recommended that ownership, procedural and regulatory barriers to FDI inflows be removed and that the incentives offered in the three Free Economic Zones be extended to the rest of the country.

**Actions taken:** In 2004, the government identified 151 issues that have a negative impact on the FDI environment, including 16 labour market issues. Thus far, 55 items have been deregulated or reformed.

#### **Improve the functioning of the financial sector**

**Challenge and recommendations:** To improve efficiency in the financial sector, it was recommended that the privatisation of banks be completed, that remaining problems in the non-bank sector be resolved and that financial supervision be shifted to a more pre-emptive approach.

**Actions taken:** The government has sold all of its holdings in two banks, leaving five of 14 banks with significant public ownership. The three largest investment trust companies were also privatised during the past year and a private equity fund law was introduced to develop the asset management sector. Two large insurance companies have been placed under prompt corrective action.