

Korea

Key facts and issues

Korea is a unitary country with a population of 50.6 million. Its subnational governments are responsible for 42.8% of public spending, slightly above the OECD average. On average, its municipalities are the largest, in terms of population size, within the OECD. It is also one of the most urbanised countries in the OECD, with 70% of its population living in predominantly urban areas.

Korea's GDP per capita of around USD 34 500 is 16% below the OECD average. Korea is in the upper bracket of OECD countries for inequality among small regions (TL3) in terms of GDP per capita as measured by the Gini index, with those gaps having risen since 2000. The gap increased after the crisis as the richest regions outgrew their poorer peers. The employment performance (unemployment and employment rates) of Korea is strong, as even the worst performing region in the country is faring better than the OECD average. On the productivity side, the country's regions had high labour productivity growth between 2004 and 2013, but most of the country is losing ground to the best performing region, Chungcheong. The Capital Region is still contributing the most to GDP growth, accounting for half of the growth between 2004 and 2013.

Korea: regional, urban and rural development policies

Policy Area	Enabling Document, Strategy, or Framework	Strategic Objectives and Means	Lead Ministry, Agency or Committee
Regional	Comprehensive National Territorial Plan 2000-2020	Regionalisation and industrial specialisation, balancing growth across the country as the top objective	Ministry of Land, Infrastructure and Transport
Urban	Urban Vision for 2020 (2008)	Growth with a focus on sustainability and liveability, including housing and land use	Ministry of Land, Infrastructure and Transport
Rural	Development Plan for Agriculture, Rural Areas and Food Industries (2013)	Competitiveness, income and welfare/quality of life	Ministry of Land, Infrastructure and Transport

General policy approach

Korea has a strong balanced development focus to its regional policies, which are set out in the Comprehensive National Territorial Plan. The current revision (updated every five years) proposes a three-layer structure for stimulating regional development: 7 (5+2) mega-regional economic zones with priority industrial specialisations, complemented by supra-economic regions (belts), and 161 basic residential zones. Many of the instruments to implement the plan are therefore industry-related (e.g., free economic zones, technoparks, R&D Innovation City). The Presidential Committee on Balanced National Development, launched in 2003, provides direction and oversight regarding key policies to implement balanced national development. The committee is composed of government (12 ministries) and civilian members and other special committees report to it, such as those for metropolitan area management, regional innovation and transferring public institutions to local areas, among others. The Urban Vision for 2020 sets out four primary goals for urban policy: nurturing growth engines, improving living conditions, establishing urban identity and restoring the national environment. Per the Development Plan for Agriculture, Rural Areas and Food Industries, rural policy focuses on three axes: competitiveness, income and welfare/quality of life.

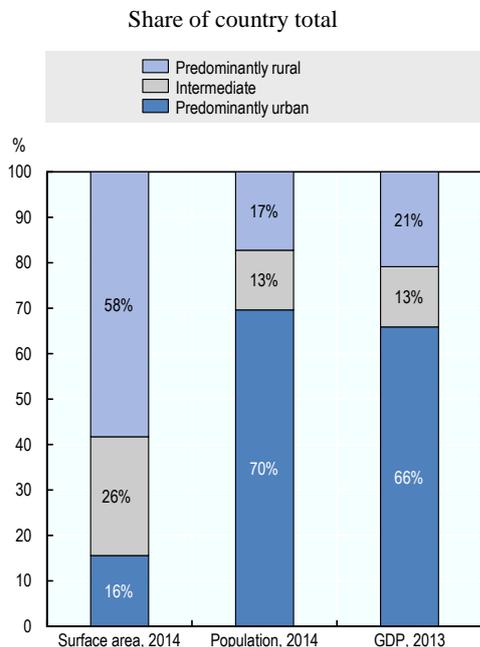
Recent policy changes

- Enforcement of “Balanced Regional Development and Fostering of Local Small and Medium Enterprises Act” in 2015.
- Since 2013, urban policy has given stronger support for prioritising development in existing built-up areas over new towns to better connect land use and urban plans with environmental programmes. Recent initiatives attempt to redefine the direction of land policy through urban regeneration rather than through the expansion of suburbs and to support organised land planning through spatial analysis techniques.
- The current administration has implemented the HOPE Area project that focuses on regional collaboration to enhance effectiveness and efficiency of the programme implementation by establishing inter-regional areas, named HOPE Areas (“Happiness, Opportunity, Partnership, Everywhere”).
- In 2012, Korea created the Sejong self-governing city to accommodate the newly constructed administrative capital.

Korea: Main regional, urban and rural development policy tools

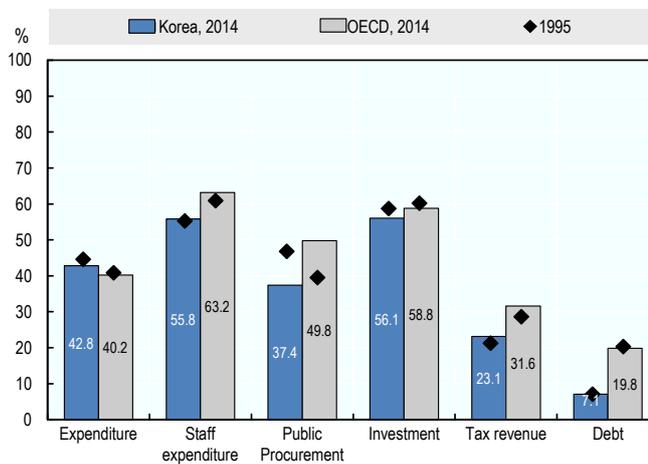
Policy Instrument	✓	Examples
Transport Infrastructure investments and systems of cities	✓	<i>Regional:</i> Transport Facilities Special Accounts Act aims at fostering intermodal transportation
Other Infrastructure investments		
Service delivery (subsidies for public services)	✓	<i>Regional:</i> Block Grants are used to help local governments realise capital investments or to maintain existing stocks. It consists of earmarked taxes and government transfers with a strong equalization dimension
Business development/ innovation support	✓	<i>Regional:</i> Creative Economy Innovation Center International Science Business Belt, Innovative SMEs Technology Finance Project
Urban renewal		
Urban form and land use		
Sustainability policies		
Rural-urban linkages		
Clusters/technology platforms/ centres of expertise	✓	<i>Regional:</i> Infrastructure and Transportation, R&D Innovation City
Special economic zones	✓	<i>Regional:</i> Korea Free Economic Zone : 8 Free Economic Zones used by the Korean government to promote balanced development of the country through zones endowed with advantageous regulatory and tax regimes for firms as well as pristine, sector-oriented infrastructure
Rural landscape preservation		
Skills/training programmes	✓	<i>Regional:</i> Technopark : technoparks are not solely dedicated to skill and training programmes, but this component is aimed at providing sector-oriented skills to the labour force, as well as to upgrade them.
Capacity building for subnational governments		<i>Regional:</i> Committee on Central-Local Governments

Land, population and economy in rural and urban regions



Subnational government role in public finance

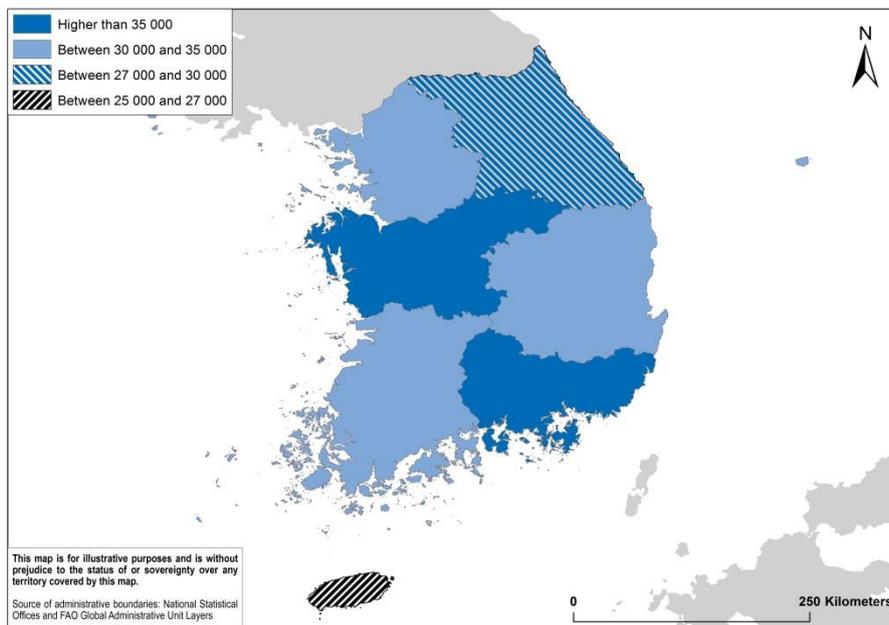
Share of general government



Number of subnational governments

Municipal level	Intermediary level	Regional or state level	Total
228		17	245

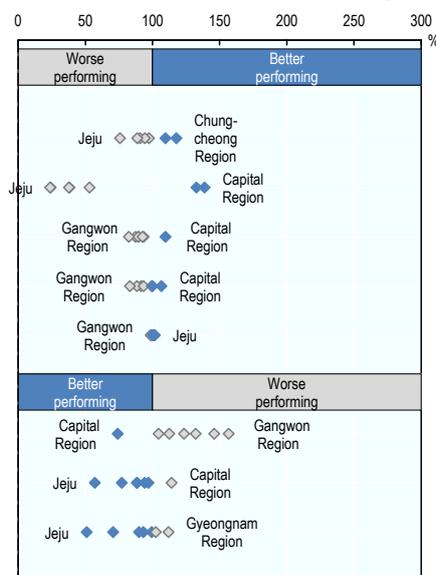
Regional differences in GDP per capita levels, 2013



Note: GDP per capita in constant prices and constant USD PPP (base year 2010).

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Inter-regional disparities (as a % of the country average)

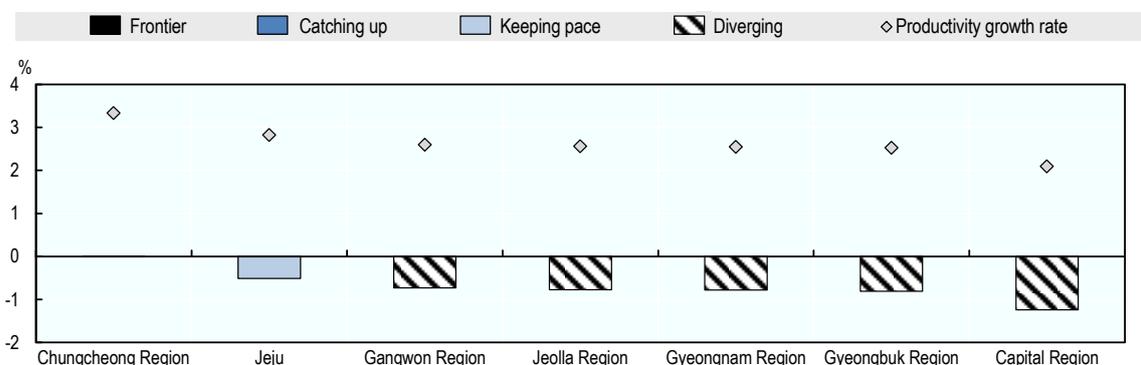


Variable	Min.	Max.	Country Avg.	OECD Avg.	Disparities up or down since 2001
GDP per worker (2013)	49 809	77 259	65 572	74 520	up (2004)
R&D expenditure as a % of GDP (2013)	0.99	5.76	4.15	2.4	down
Share of labour force with tertiary education	35.5	47.2	43	32.3	down
Disposable household income (2013)	22 581	28 956	27 114	34 866	up (2010)
Life expectancy	80.4	82.9	81.4	80	up (2005)
Share of workforce with only primary education	12.9	27.3	17.4	25.2	up
Unemployment rate	2	4	3.5	7.3	up
Gender gap in participation rate	-9.8	-21.5	-19.2	-15.9	down

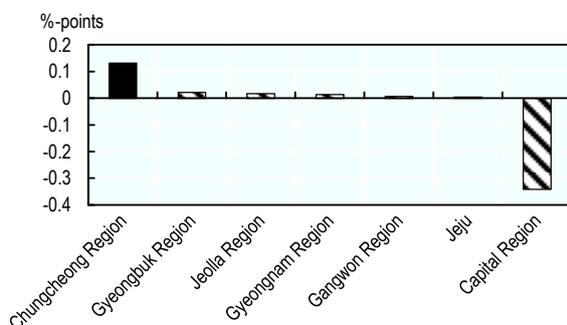
Note: Each diamond represents a TL2 region. Unless specified, all data are for 2014. Disparity is measured as the difference between the top and bottom region in the country.

Productivity and catching-up trends among regions

Average annual labour productivity (GDP per worker) growth rate [diamonds] and deviation from the growth rate of the country's productivity frontier [bars], 2004-2013
 See country page notes for classification of regions

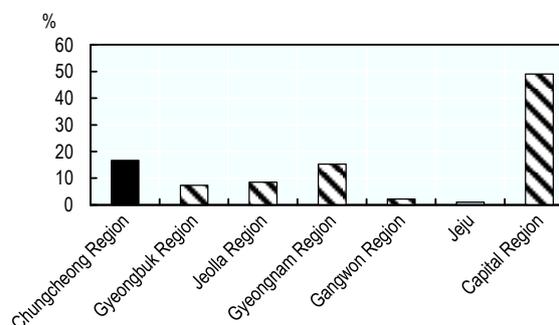


Contribution to labour productivity growth, 2004-13



Note: Difference between national labour productivity growth as calculated with and without the indicated region.

Percentage contribution to national GDP growth, 2004-13



Note: The contribution is the product of a region's GDP growth rate by its initial share of GDP.

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Country page notes

Main indicators

OECD average	represents the weighted average of OECD country/region values for the given year or closest year available.
OECD Regional Well-being framework	considers a combination of individual characteristics and local conditions in eleven dimensions that shape people's material conditions (income, jobs and housing) and their quality of life (health, education, access to services, environment, safety, civic engagement and governance, community, and life satisfaction).
Gross domestic product (GDP); GDP per capita; and labour productivity (GDP per worker)	is the standard measure of the value of the production activity (goods and services) of resident producer units. Regional GDP is measured according to the definition of the System of National Accounts (SNA 2008). To make comparisons over time and across countries, it is expressed at constant prices (year 2010), using the OECD deflator and then it is converted into USD using purchasing power parities (PPPs). For regional labour productivity, GDP (gross value added for Turkey) is divided by the number of workers (at place of work) or, for GDP per capita, the number of residents. For comparisons of current (per capita) GDP across countries, GDP for 2015 is converted to USD using PPPs for 2015.
Subnational government role in public finance	is mainly derived from the OECD National Accounts, harmonised according to the new standards of the System of National Accounts (SNA 2008), with the exception of Chile, Japan and Turkey, which are still under SNA 1993. General government includes four sub-sectors: central/federal government and related public entities; federated government ("states") and related public entities; local government i.e. regional and local governments and related public entities, and social security funds. Subnational governments are local (regional and local) governments and state governments (in countries with a federal or quasi-federal government system).
Gini index (regional income inequality)	The Gini index is a measure of inequality in terms of GDP per capita among all regions of a given country, with equal weight for each region. The index takes on values between 0 and 1, with zero interpreted as no disparity.
R&D expenditure	is the total gross domestic expenditure on research and development by the government, higher education, business, and private non-profit sectors.
Household disposable income and poverty rate	is the income generated directly from market transactions, adding all current transfers from the government, except social transfers in kind, and subtracting current transfers, such as income or regular wealth taxes and social contributions. It is expressed in USD Purchasing Power Parities (PPP) at constant prices (year 2010) and using a standard equivalised size for households across the OECD. Due to a lack of data, the indicator is expressed in per capita terms for the Czech Republic, Estonia, Hungary and New Zealand. The poverty rate is here taken as the percentage of people with disposable household income per capita of less than half the country median.
Participation rate, unemployment rate, youth unemployment and NEETs	The (labour force) participation rate is the ratio of the labour force (employed and unemployed) aged 15+ to the population (15+). The gender gap is the difference between the participation rates for women and men. Unemployed persons are defined as those who are without work, are available for work, and have taken active steps to find work in the last four weeks. The unemployment rate is defined as the ratio of unemployed persons to the labour force. Youth unemployment considers the unemployed and the labour force aged between 15 and 24. "NEETs" refers to 18-24 year-olds who are neither in employment nor in education and training (as a percentage of the population of 18-24 year-olds).
Primary and tertiary education	Primary education includes primary education, pre-primary education and lower secondary education (ISCED 0-2). Tertiary education includes both university qualifications and advanced professional programmes (ISCED 5-8). Shares are defined with respect to the labour force aged 15 and over.
Elderly	are those aged 65+. The elderly dependency rate is the ratio of the elderly to the working age population (15-64).
Air pollution	is the 1km ² grid cell population weighted average of satellite-based estimates of small particulate matter (PM _{2.5}).
Life expectancy	measures the number of years a newborn can expect to live, if death rates in each age group remain constant.

Typology of regions with respect to productivity

Frontier	is the region leading its country in terms of labour productivity, measured by the real gross domestic product per employee. In some countries the leading region accounts for a small percentage of the total workforce. Where this is the case, the frontier is the weighted average of regions with the highest labour productivity levels accounting for 10% of the country's total employment.
Catching-up regions, diverging regions and regions keeping pace	is a classification of regions based on their labour productivity growth relative to the frontier. It is based on the growth in labour productivity between 2000 and 2013 (or closest year available). Regions where labour productivity grew/dropped by at least 5 percentage points more/less than in the frontier over the period are classified as catching-up/diverging regions (about 0.4 percentage points annually), with regions that are keeping pace falling within the +/- 5 percentage points band.

Typologies of regions with respect to population or other functions

Regions (TL2 and TL3)	are classified by the OECD into two territorial levels that reflect the administrative organisation of countries. OECD's large regions (TL2) represent the first administrative tier of subnational government. OECD small (TL3) regions are contained within a TL2 region. Reference to the 20% richest/top or poorest/bottom regions, indicates the top/bottom-performing regions according to the indicator accounting for 20% of the (relevant) population.
TL3 typology (urban, intermediate, rural)	TL3 regions have been classified as: predominantly urban (PU), intermediate (IN) and predominantly rural (PR) based on the percentage of regional population living in rural communities, combined with the existence of urban centres where at least one-quarter of the regional population resides. The terms "urban", "intermediate" and "rural" refer to these categories.
Metropolitan area	is a functional urban area with 500 000 or more inhabitants defined by population density and commuting flows.

Further details and information: OECD (2016) *OECD Regions at a Glance 2016*, http://dx.doi.org/10.1787/reg_glance-2016-en.