

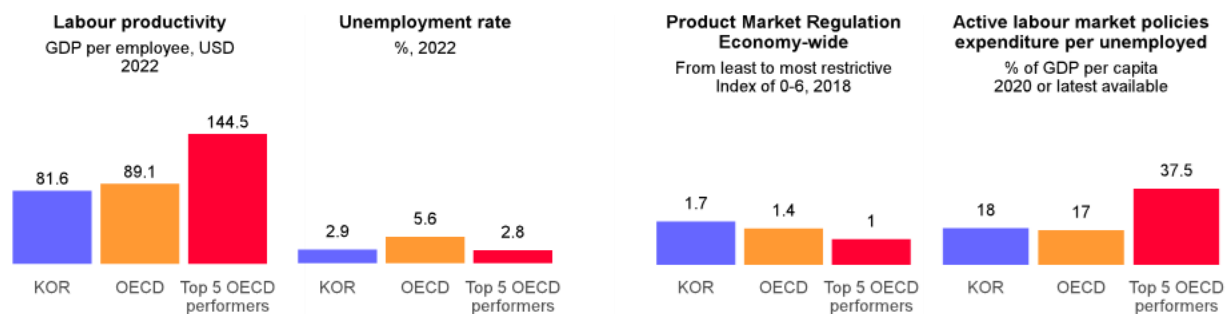


Performance gaps

Recommendations

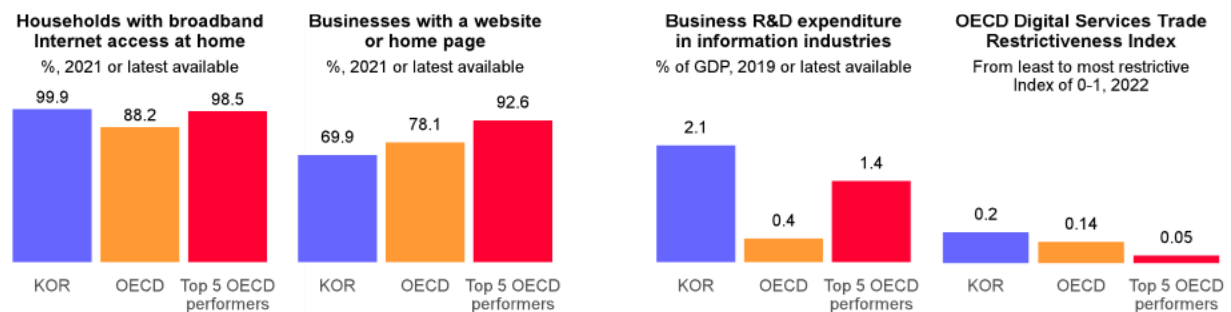
Product and labour markets functioning

- The productivity gap between large and small firms is among the largest in the OECD. The incidence of non-regular workers is high in small companies. Regular workers in large firms receive high wages, social insurance coverage and strong employment protection relative to non-regular ones. SMEs also lag far behind large companies in the use of digital technologies. Public support for SMEs is higher than in other OECD countries, hampering productivity-enhancing restructuring.
- Expand the coverage of SMEs graduation schemes to ensure that public support for SMEs encourages the growth of innovative firms.
- Break down labour market dualism by relaxing employment protection for regular workers while expanding social insurance enrolment and training for non-regular workers.



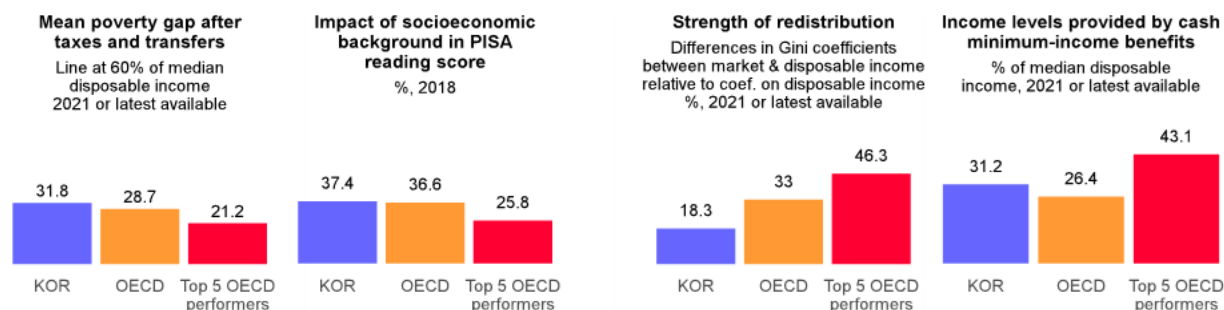
Digital transition

- Despite a solid digital infrastructure, the diffusion of advanced digital technologies is uneven. Digital skills of workers in SMEs and older workers are lagging, with limited access to training.
- Restrictive product market regulations hamper the development of new and digital industries.
- Provide more ICT courses to SME employees and older workers, and support training costs for SMEs.
- Reduce the restrictiveness of product market regulation by shifting to a comprehensive negative-list regulatory system and expanding the use of regulatory sandboxes.



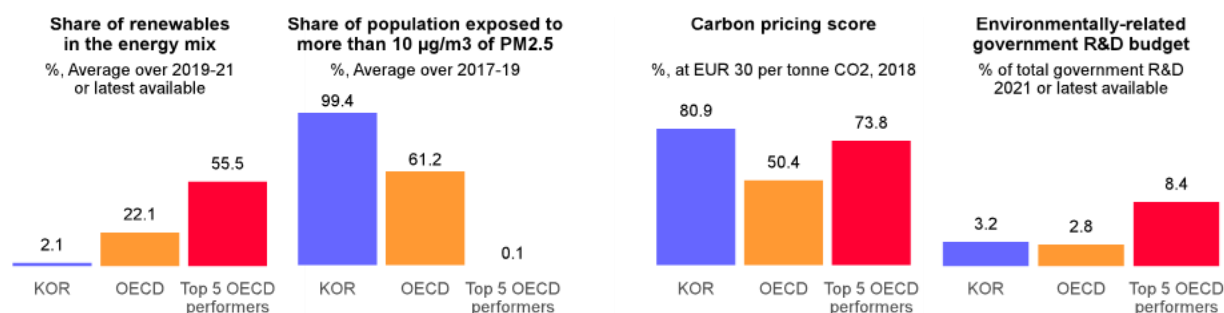
Inclusiveness, social protection, and ageing

- Income inequality is relatively high, notably with high poverty among the elderly.
- The social safety net is incomplete and redistribution through taxes and benefits is weaker than in most other OECD countries. Unemployment benefits are relatively low and social insurance coverage for non-regular workers remains insufficient.
- Gender wage and employment gaps are still relatively large.
- Pursue a broad pension reform to secure adequate old-age income and to make the basic pension better targeted to the elderly with the lowest incomes.
- Expand social insurance coverage and phase out the earned income tax credit at a higher level of earnings and at a slower rate.
- Expand public financing of parental leave.

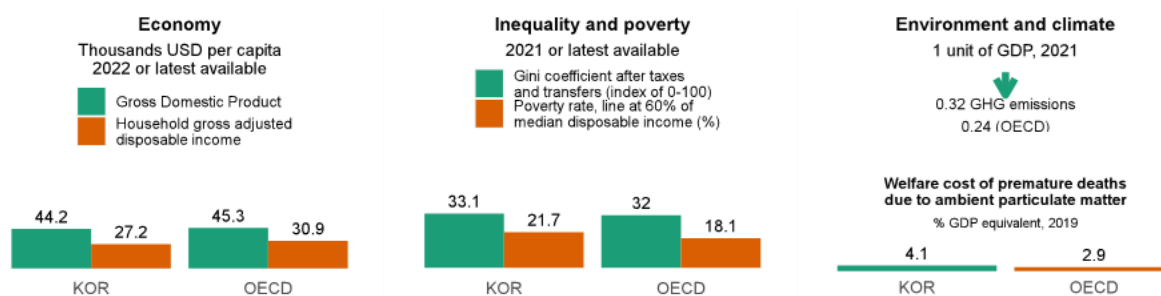


Climate transition

- While emission intensity has declined, Korea remains among the largest emitters in the OECD. Improving the institutional framework for electricity supply would allow the marginal carbon cost to pass through, enhancing the effectiveness of the emission trade scheme (ETS) for electricity generation.
- Align policies, notably the ETS, to achieve the 2050 carbon neutrality target and intermediate targets.
- Comprehensively review the institutional framework hindering the carbon price from passing through and holding back emission reductions in the electricity sector.



Overall performance





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