

2024.3.13.

State Owned Enterprises in Korea

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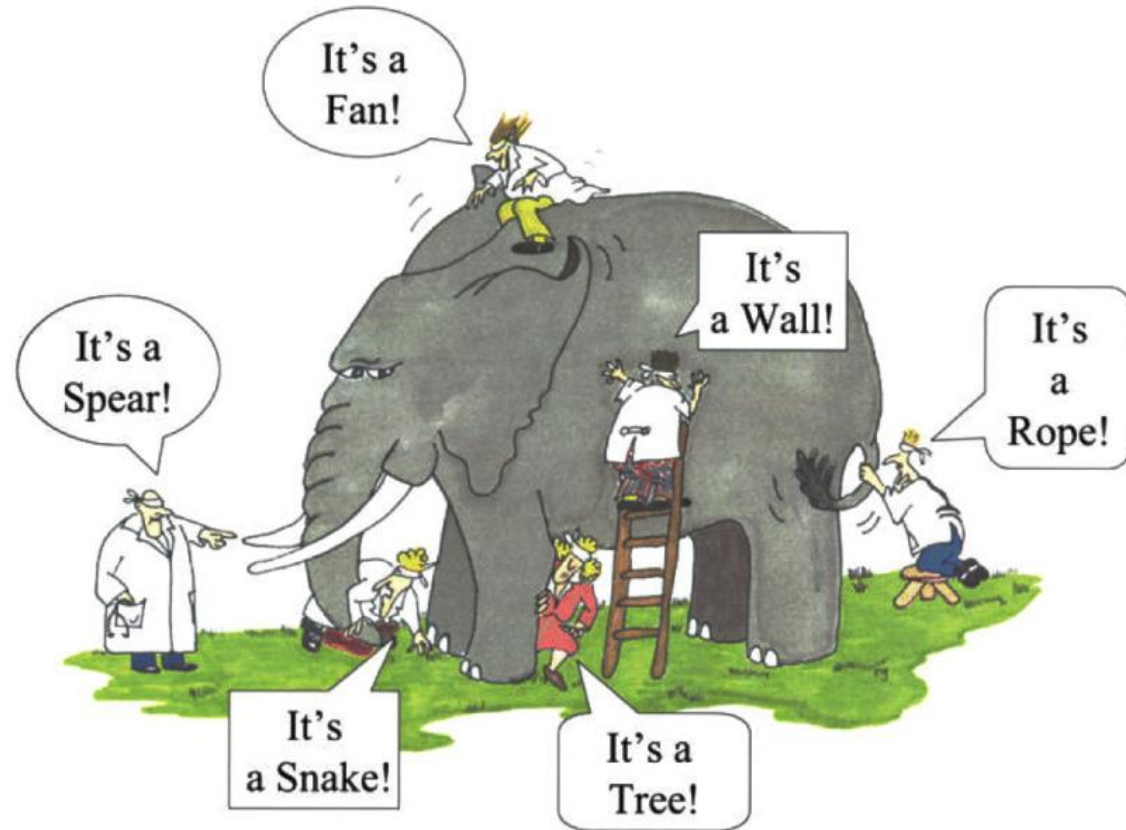
I. Current Status of Korean SOEs

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SOEs, what is it?



1. Introduction

- The core of the management problem of SOEs is the difficulty of how effectively the inducement mechanism is to be established under the state-owned system.
- Minimizing political involvement, clarifying corporate goals and performance indicators, strengthening autonomy and responsibility, measuring performance, and linking compensation were emphasized.
- Privatization was implemented for the purpose of overcoming the loss of competitiveness and inefficiency of the SOE sector.

1. Introduction

- Compared to the general private sector, there is bias of talent wanting to go to the SOE sector.
- The most valuable human resources distribution problem
- In response to this, efforts are regularly made to enforce innovation seamlessly, such as redefining the functions of SOEs, rebuilding personnel, redesigning organizations, implementing management contract arrangements, and strengthening performance management.
- Privatization should also be considered as the development of the private economy in addition to a way of reforming the public sector.

The state enterprise ownership function

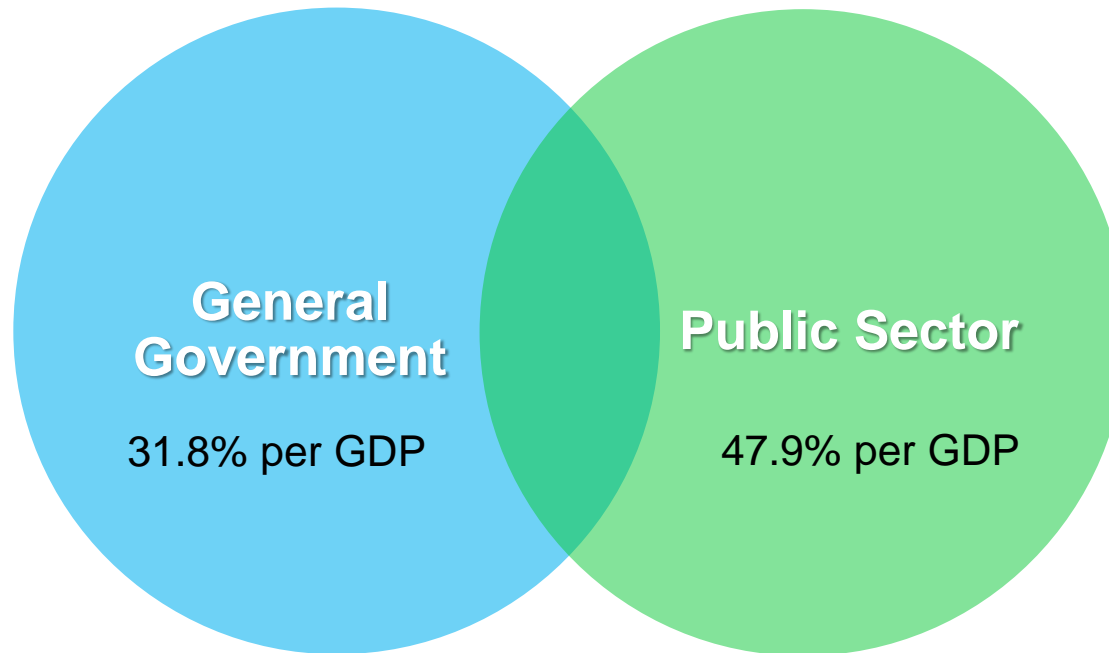
Under the SOE Guidelines, the general public is the ultimate owner of state-owned enterprises. Therefore, those government agencies who exercise the ownership rights over SOEs are ultimately responsible to the interests of the public. In fulfilling this responsibility, the State as owner owes duties toward the public that are not unlike the fiduciary duties of a board toward the shareholders. In this sense, therefore, **high standards of transparency and accountability** are needed to allow the public to assure itself that the state exercise its powers in accordance with the public's best interest. Mechanisms for ensuring transparency and accountability of the state's exercise of ownership rights include: **developing a clear rationale for state enterprise ownership, a coordinated and effective state enterprise ownership function, and regular and publicly disclosed aggregate reporting on the SOE sector.**

I. Current Status of Korean SOEs

1. Overview(1)

Gross Domestic Product (1.67)

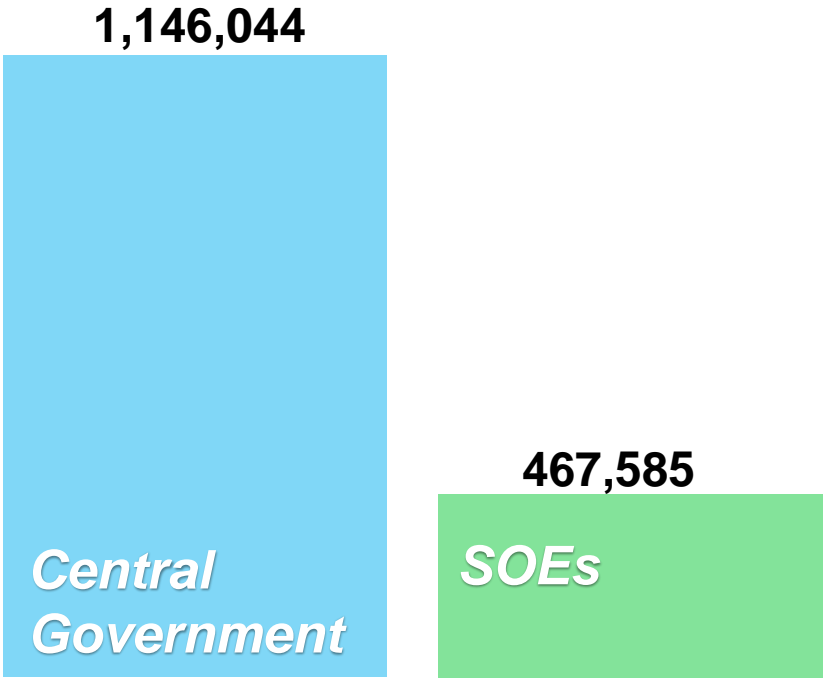
FY2022, Unit: (US trillion \$)



According to the consolidated government financial accounts, total government spending takes 32% of national GDP meanwhile the public sector's spending amounts to 48% of national GDP. Difference explains the size of SOEs' spending.

1. Overview(2)

Total employees



Total number of employees in SOEs is 467,585, which amounts well over a third of total number of employees in government executive branch, 1,146,044 as of 2023.

1. Overview(3)

- Total expenditure spent by Korean 347 SOEs were KRW 791.9 trillions for FY2022. It is 1.2 times bigger that of government budget. Its portion to GDP is about 36.8% and it is expected to increase constantly.`
- For the establishment of fundamental administrative regulations and responsibility-based self-management system, 『The Laws on SOEs Management 』 has been enacted in 2007.

Classification		Criteria / Functions	Examples	Particulars
SOEs (32)	Fully-Market Governance (13)	<ul style="list-style-type: none"> • Total assets ≥ KRW 2 trillions • Self-generated Income ≥ 85% 	<ul style="list-style-type: none"> • Korea Gas Corporation • KEPCO 	<ul style="list-style-type: none"> • Self-regulatory • Strong internal control
	Semi-Market Governance (19)	<ul style="list-style-type: none"> • Total assets ≥ KRW 2 trillions • Self-generated Income < 85% 	<ul style="list-style-type: none"> • Korea Railway • Korea Water Resource Corporation 	<ul style="list-style-type: none"> • Self-regulatory • External supervisions for publicity
Quasi-government Agencies (55)	Fund Management (11)	<ul style="list-style-type: none"> • Fund management • Consignment management • Compliance with the Finance Acts 	<ul style="list-style-type: none"> • Korea Credit Guarantee Fund • National Pension Corporation 	<ul style="list-style-type: none"> • Enhancing stakeholders' interests in fund management operations
	Executions (44)	<ul style="list-style-type: none"> • Execution of delegated tasks 	<ul style="list-style-type: none"> • Korea Rail Network Authority • Korea Trade Investment Promotion Corporation 	<ul style="list-style-type: none"> • Securing interconnection with sector ministries
Other public institutions (260)		<ul style="list-style-type: none"> • All other public institutions 	<ul style="list-style-type: none"> • Government-funded research institutions 	<ul style="list-style-type: none"> • Achievements-oriented • High efficiency

1. Overview(4)

- Korean government designates and announces additions or dissolutions of State Owned Entities every year. In 2024, 20 institutions (Scientific research institutes) have been released from the list of SOEs.
- The total number of public entities has been increased (from 321 in 2013 to 327 in 2024). <https://www.alio.go.kr/>

Classification	2016	2024	Changes	Additions	Dissolution	Changes*
① SOE	30	32	+2	-	-	+2
▪Fully-Market	14	14		-	-	
▪Semi-Market	16	18	+2	-	-	+2
② Quasi-Government Agency	89	55	-34	-	-34	-34
▪Fund Management	16	12	-4	-	-4	-4
▪Execution	73	43	-30		-30	-30
③ Other public institutions	202	240	+38	+38	-	+38
Total	321	327	+6	+38	-34	+6

Infrastructure SOEs

2

1. Infrastructure SOEs

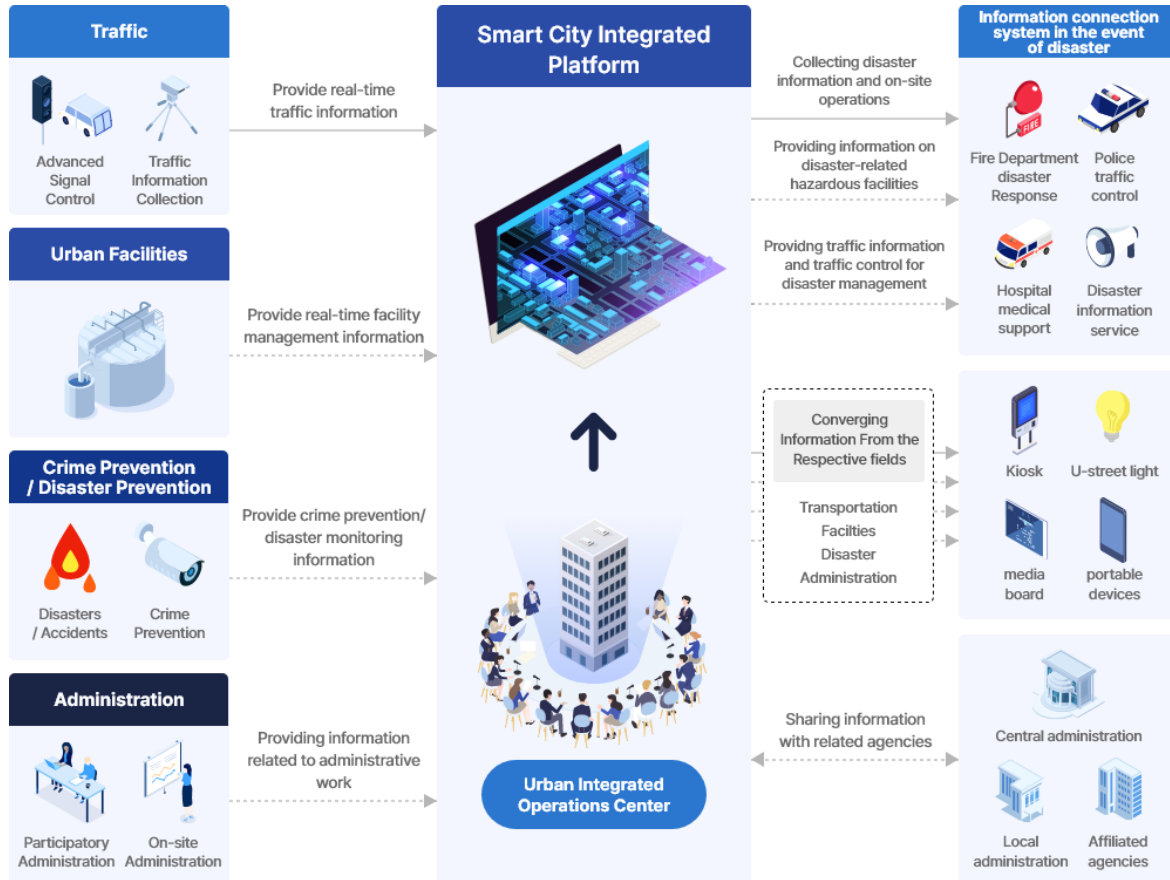
- Port authorities
 - To make port a competitive hub of shipping logistics
 - Busan, Incheon, Yeosu Gwangyang, Ulsan
- Korea Marine Environment Management Corporation.
 - Conservation, management, and improvement of the environment, marine pollution control
- Korea Land and Housing Corporation, SH, GH...etc.
 - To contribute to economic growth by improving living environment and making efficient use of the nation's territory
- Korea Expressway Corporation
 - To build, rehabilitates, operates and maintains expressway
- Korea Railroad Corporation, SR, Seoul Metro...etc.
 - To enhance expertise and efficiency in rail operations system and projects

1. Infrastructure SOEs

- Airport corporation
 - Incheon International, Korea
- Jeju Free International City Development Center
 - To nurture and develop the Jeju island as a free international city

KOEM, Port Authorities





Korail, Incheon Airport



2. History of public institution management system

	The first stage (1962~1984)	The second stage (1984~1999)	The third stage (1999~2007)	The fourth stage (2007~)
Related-Acts	Act on the Government-invested institutions Budget and Accounting(1962), Act on Management of Government-invested institutions(1973)	The framework Act on Government-invested institutions Management(1984)	The framework Act on Government-invested institutions Management(revised 1999), The framework Act on the Government-affiliated institutions management(2003)	Act on the Management of Public Institutions(2007)
Autonomous management	A competent ministry has comprehensive supervision on budget and general activities by each establish act	Autonomous management on budget but overlapping supervisions on general activities by a competent ministry	[-invested] CEO-recommendation system [-affiliated] President-recommendation committee system	An autonomous management of a president of institution on budget and personnel. Transparent and fair executives electing system
Corporate governance & internal - external audit	A competent ministry has comprehensive supervision on work	Responsible internal management through the separation board and management/ Uniform external audit system by the board of audit and inspection/ government-director system	[-invested]A strong control of board of director on a CEO/ Promoting independence of inspector and auditor/ Director's responsibility for loss [-affiliated] Non-executive director appointment/ External audit system/ management contract of head of organization	Strong board of directors function/ Effective internal management monitoring/ Responsible external audit system
Performance evaluation	Business result evaluation system by a competent ministry/ The introduction of performance-related pay as incentive	Introduction of business performance evaluation system and its committee/ Expansion of bonus difference	[-invested] system divided into institution and head of institution evaluation/ The expansion of performance-related pay [-affiliated] Business result evaluation system ('05)	Measurable indicators are mainly used in small institutions evaluation/ Enhancing reflection of the result to personnel

2. History of public institution management system

1) The first stage(Aug 1962~Feb 1984)

- Public sector such as government-owned and major public institutions played a vital role in the development of economy and industry

<p>Related-Acts</p>	<ul style="list-style-type: none"> • Act on the Government-invested institutions Budget and Accounting(1962): rules about budget and accounting, the management of government finance through 21 government-invested institutions • Act on Management of Government-invested institutions(1973): introducing the general management system such as personnel, inspection, planning and performance
<p>Autonomous management</p>	<ul style="list-style-type: none"> • Unification of budget control functions among competent ministries, but overlapping monitoring by a competent ministry and the Economic Planning Board. • A comprehensive supervision of competent ministry on budget and general activities by each establish act → weak autonomous management
<p>Corporate governance & internal - external audit</p>	<ul style="list-style-type: none"> • The composition of board of directors by the executive team, but a comprehensive supervision of competent ministry on work.
<p>Performance evaluation</p>	<ul style="list-style-type: none"> • The firstly introduction of Business result evaluation system in 1968, but evaluating budget figure by competent ministers at best and no reward system. • The introduction of incentive system, 50~200% performance-related pay, by the Economic Planning Board in 1972.

2. History of public institution management system

2) The Second stage(Mar 1984~Jan 1999)

- **Establishing autonomous and responsible management by relaxing regulations of the central government and competent ministries. Under the privatization plan, the number of government-invested institutions decreased to thirteen in 1999 from twenty five in 1984.**

Related-Acts	<ul style="list-style-type: none"> • The framework Act on Government-invested institutions Management(1984): substituted for Act on the Government-invested institutions Budget and Accounting and Act on Management of Government-invested institutions in order to enhance autonomy, efficiency and management system.
Autonomous management	<ul style="list-style-type: none"> • Enhancing autonomous management on budget by giving the board of directors budget planning and execution, but overlapping supervisions on general activities by a competent ministry
Corporate governance & internal - external audit	<ul style="list-style-type: none"> • Encouraging responsible internal management by separating management from the board of directors, and by giving a CEO authority over personnel matters. • Uniform external audit system by the board of audit and inspection. • But government-director system and overlapping supervisions on general activities by a competent ministry.
Performance evaluation	<ul style="list-style-type: none"> • Introduction of business performance evaluation system • Installation of business performance evaluation committee for deliberation and decision • Installation of business performance evaluation team for evaluation consultation and research → Unification of unsystematic business performance evaluation system • Expansion of bonus difference within a grade

2. History of public institution management system

3) The third stage(Feb 1999~Mar 2007)

- Enhancing autonomous internal management of Government-invested institutions
- Strengthening responsible management of Government-affiliated institutions

<p>Related-Acts</p>	<ul style="list-style-type: none"> • The framework Act on Government-invested institutions Management(revised 1999) : Enhancing autonomous internal management • The framework Act on the Government-affiliated institutions management(2003) : The installation of Government-affiliated institutions management system
<p>Autonomous management</p>	<ul style="list-style-type: none"> • [Government-invested institution] The introduction of CEO-recommendation system: CEO-recommendation committee, comprised of non-executive directors and civil delegates, recommends CEO candidates • [Government-affiliated institution] The introduction of President-recommendation committee system(majority of the committee are civil delegates) → guarantee of autonomous management
<p>Corporate governance & internal · external audit</p>	<ul style="list-style-type: none"> • [-invested] · A strong control of board of director on a CEO(appoint & dismiss suggestion) - Electing inspector and auditor through Government-invested institutions Management Committee and the president - Strengthening director's responsibility for loss → Strengthening responsible management • [-affiliated] · Non-executive director appointment, External audit system → improving transparency in management - Management contract of head of organization → Strengthening responsible management
<p>Performance evaluation</p>	<ul style="list-style-type: none"> • [-invested] · System divided into institution and head of institution evaluation - The expansion of performance-related pay(from 125~145% to 0~500% at a monthly pay basis) - According to the result, the minister of Planning and Budget can suggest dismiss of CEO and executive director • [-affiliated] · The introduction of business result evaluation system in 2005 - According to the result, the president of institution has some penalties such as demotion and budget reductions

2. History of public institution management system

4) The fourth stage(Apr 2007~)

- Structuring advanced management system in the scope and classification of public institutions, internal & external corporate governance, transparency in personnel matter and evaluation & inspection system

<p>Related-Acts</p>	<p>Act on the Management of Public Institutions(2007)</p> <ul style="list-style-type: none"> · Removing blind spot of public institutions management due to the equivocal designation of public institutions · Weakening supervision of competent ministry on general activities
<p>Autonomous management</p>	<ul style="list-style-type: none"> · Enhancing an autonomous management of a president of institution on budget and personnel(a minimal guideline on budget, employment, wage and corporate finance) → equivalent to that of private company · Enhancing transparent and fair executives electing system(executive directors of SOEs and non-executive are appointed by the president of institution and Management of Public Institutions Committee, respectively)
<p>Corporate governance & internal · external audit</p>	<ul style="list-style-type: none"> · Strengthening board of directors function(suggesting on dismissal of a chairman of board and institution president, requesting inspection and related documents) · Strengthening internal auditing system and risk management by establishing audit committee · Enhancing responsible external audit system: personnel action, performance-related pay, loss compensation pursuant to the audit result
<p>Performance evaluation</p>	<ul style="list-style-type: none"> · Reducing public institutions subject to business performance evaluation · Measurable indicators are mainly used in small institutions evaluation · Establishing Research Centre for State-Owned Entities for improving evaluation system, developing evaluation indicators and managing DB · Enhancing reflection of the evaluation result to personnel

2. Human Resources

- In 2022, the aggregate number of employees working at public organizations was approximately 467,585 (including temporary employees), which amounts to **1.6%** of total economically active population.
- Out of the 467,585 public institute employees, 32.3% is being hired by SOEs, 25.3% by quasi-government agencies and others by other public institutions.

Number of employees in public sectors

Classification	2004	2005	2006	2007	2014	2015	2022
Executives & Permanent	201,081	241,999	248,428	258,340	279,950	287,966	415,881
Temporary	35,596	40,284	41,099	36,037	43,597	41,781	51,704
Total	236,677	282,283	289,527	294,377	323,547	329,747	467,585

Source: ALIO

3. Financial Position

- Annually, 9.2% increase in total assets, 15% increase in total liabilities in 2022
- 13.6% decrease in annual net surplus in 2022
- KRW 670.0 trillion of aggregate liabilities in 2022, which had been increased by KRW 87.6 trillions(15%) from prior year.
- Debt-to-equity ratio of State Owned Enterprises(251%) is greater than that of total quasi government organizations(114%).

(KRW in trillions)

FY	2004	2005	2006	2007	2015	2022
Assets	225.7	266.4	298.8	331.9	781.3	1,054.5
Liabilities	106.6	124.6	146.6	169.6	504.8	670.0
Net Surplus	7.8	5.7	5.6	6.0	12.5	-13.6

Source: ALIO

4. Liability Issue

- The decreasing rate of liabilities had been continued to 2017, but from 2018, continue the trend of increasing.
- The debt ratio of SOEs(251%) has been increased from 97.6% in year 2006.

(KRW in trillions)

Classification	FY2006			FY2016			FY2022		
	Assets	Liabilities	Debt Ratio(%)	Assets	Liabilities	Debt Ratio(%)	Assets	Liabilities	Debt Ratio(%)
SOEs	240.8	119.0	97.6	560.3	362.6	183.4	710.9	508.0	251
Quasi-Government Agency	58.0	27.6	91.1	202.4	122.3	152.7	247.8	132.3	114
Sub-Total	298.8	146.6	96.3	762.7	484.9	174.5	958.7	640.3	174.3

Source: ALIO

5. Performance Assessment(1)

- 1. The assessment system has been implemented since 1984. The performance of state owned entities is being assessed by the Evaluation Committee in yearly basis.**
- 2. It is an essential systematic device enhancing performance achievements and establishing self-regulatory and responsibility-based management structure in public sector.**
- 3. It is a core management tool designed for the purpose of improving operational efficiency in public sector, which has been well-recognized by OECD(in March '15).**
- 4. Korean government is endeavouring to mitigate the complexity of assessment process as well as to promote improvement in public sector through accurate and efficient performance measurement system.**

5. Performance Assessment(1)

- The details of the SOEs performance indicators and the percentage weighed to each item are as follows.

Unquantifiable measures			
Category		Indicators	Weight (%)
Leadership & Strategy	Leadership	Leadership of management team	3
		Accountability	4
	Strategy	Vision & Strategic development	3
		Promotion plan for core business	3
Sub-total			13
Management System	Core business activity	Core business activity	15
	Efficiency	Organization & HR	3
		Financial budget	3
		Remuneration	3
		Rational labor relation	3
		Performance management system	3
		Promotion for advancement and management efficiency of SOEs	2
Sub-total			32

5. Performance Assessment(2)

- The details of the SOEs performance indicators and the percentage weighed to each item are as follows.

Quantifiable measures				
Category		Indicators	Weight (%)	
Management achievements	Core business	Achievements from core business	25	
	Customer satisfaction	Improvement in customer satisfaction	5	
	Management efficiency	Labor productivity		5
		Capital productivity		5
		Monetary salary/wages		3
		Monetary administration expenditure		4
		Increasing rate of salary		4
		Achievements from financial budget (working capital)		2
		Practical compliance of government-promoting policies		2
Sub-total			55	
Grand total			100	

6. Public Labor Management

- 1. Among 316 organisations in public sector, 69% have formed official labor unions as of FY2022.**
- 2. 72.2% of employees in public sector has joined the official unions. This is almost 7 times higher than the percentage of employees joining unions in private sector (10.5%).**
- 3. Recently, the formation of unions for public employees has influenced the national competitiveness and labor relations of public sector.**

'61 ~ '83

'84 ~ '97

'98 ~ '02

'03 ~ '07

Support economic growth

Autonomy expansion

Restructuring

Strategic, systemic innovation

- gov driven, economic development purpose

development purpose

* K-water(66), Posco(68), Expressway corp(69)

- gov control

- diverse service provision
- welfare, culture...

- board of directors
- management
- assessment system

- privatization, M&A
- 8 SOEs, 50 subsidiaries
- 16 M&A

- restructuring of employees

- change mgt, S/W
- innovation

- governance reform
- pubic Institution committee
- enhance independence of Board of directors

'83 before

Ex ante control (line ministries)

1

- Management object : 24 SOEs
- BoD : appointed by government

'84

Change to ex post management system : Act on government invested institutions

2

- Management object : 25 SOEs
- BoD : non executive director(including gov officials)only, Management Assessment System

'04

Expand to government affiliated institutions : Act on Gov affiliated institutions management

3

- Management object : 13 SOEs, 88 Gov affiliated institutions

'07

Major change of corporate governance : Act on management of public institutions

4

- 3 classes(SOE, Quasi gov institutions, non classified institution)
- Business monitoring: line ministries, management monitoring: MoSF

(Committee for management of PIs)

II. Need for SOE Reform Management

1. Expansion in State Owned Entities sector

- Most of recent management measurements (i.e. total budgets distributed to SOEs compared to total government accounts, total budgets per national GDP and number of employees in public sector) indicate that the public sector in Korea is being markedly expanded.
- The expansion of SOEs could incur increase in tax burdens and create obstacles to functions of market mechanisms.

	2005	2015	2022
Total budget (KRW in trillions)	270.2	627.1	791.9
Per general government sector accounts	1.9	1.7	1.2
% of GDP	31.2	40.7	36.8
Number of employees	282,283	329,747	467,585
% of active labor force	1.19	1.22	1.6

2. Inefficiency in Operation

Remuneration System

- **Non-systematic process for remuneration determination: No nexus between performance (or level of job responsibility) and remuneration**
- **Inefficient personnel expenditure : No nexus between productivity and pay raise (or profit distribution)**
- **Lack of systematic logic and consistency: Variance in remuneration level between organizations**
- **Especially, there are problems with the 'average remuneration per employee' and the 'fringe employee benefits in salary nature' in relation to arbitrary management decisions**

Fringe employee benefits

- **Irrational fund management related to excessive employee welfare spending**
- **Comparison to private sector : Similar accounts structure and operational principles, but wider and arbitrary applications for benefit entitlements regarding monetary amount and beneficiary determination**

2. Inefficiency in Operation

2) Potential Conflicts with Private Sector

- **Despite the capability growth in private sector, the functions of public sector has not been minimized. This could result in friction with market force and further economic growth of activities in private sector**
(E.g.) Land and Housing Corporation: Continuous sale of residential houses despite the growth in private construction industry
- **Competitive neutrality Issue**
- **Lack of preparation for the competency requirements corresponding to rapid globalization**
- **Lack of leadership in global market despite the advantages from rich experiences and technical competency**
- **Korean government is promoting 'Functional restructuring in SOEs' through elimination of duplicated functions taken by multiple government agencies and enhancement of SOEs' competitiveness with clearer role definitions for public and private sectors.**

3) Duplicated functions

- **There are multiple public agencies for a particular industry, which receives duplicated and excessive supports unnecessarily. This also causes conflicts between the agencies, and resulted in serious inefficiency.**
(E.g.) The following agencies support a similar industry (relating to IT, contents, broadcasting and multi-media.
Ministry of Industry
: Institute for Information Technology Advancement, Korea Institute for Electronic Commerce, Korea IT Industry Promotion Agency
Ministry of Culture and Tourism
: Korea Game Industry Agency, Korea culture & contents agency, Korean Broadcasting Institute

3. Collusions between Labor and Management

- **The results of World Competitiveness Indices measured by IMD(2023) for 64 countries ranked Korea at 28th, however for the labor relation productivity it is 39th.**
- **Informal agreements and illegal co-operations between labor force and management team creating constraints to proper execution of management control and personnel appointment**
- **The above causes negligent management and inefficient operation of public sector.**



4. Amendment required for Performance Assessment System

- **It is necessary for the system to support not only the accurate assessments of short term achievements, but also the systematic development and productivity improvement through mid and long term strategic business initiatives**
- **The burdens on the organizations from the assessment itself needs to be mitigated**
- **The performance indicators currently being used for the assessment had been developed and adopted in 1984 → new assessment mechanisms need to be developed with more tailor-made indicators considering the unique character of individual organizations**
- **The results from the performance assessment should be utilized to provide useful feedbacks for management improvements.**

III. Interim Achievements

1. External Restructuring

1. Privatization

- **Functions accomplishable and compatible by private sector**
- **Privatization**
: 24 organizations
(4 have been fully privatized, and others partially)
- **Dissolutions**
: 131 subsidiary companies of public sector
(42 have been closed down)

2. Management Efficiency

- **Functions to be maintained in public sector**
- **Merges**
: 16 organizations are subject to merges
(e.g. Land & Housing Corporation 14 have been merged)
- **Dissolutions**
: 5 organizations including Resolution & Finance Corporation have all been closed down.
- **Staff reduction**
: 129 organizations (e.g. Korea Railroad) have reduced 22,000 staff members in total.

2. Results(Performance)

Awareness towards the Reform Movement

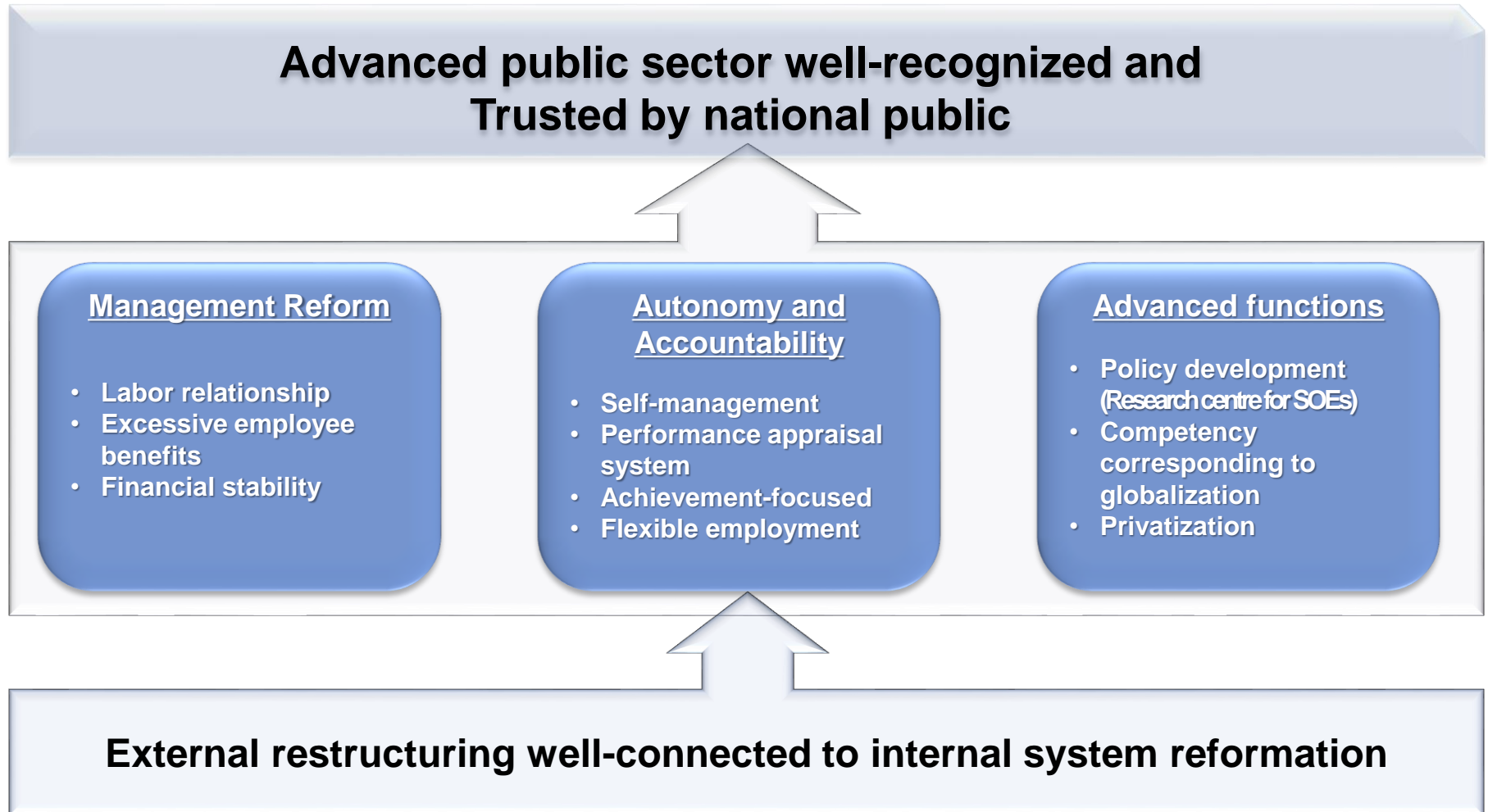
- **The results from the awareness survey undertaken in November 2023 indicate that 95% of experts support with the advancement movements.**
- **Active self-promotion of the advancement: Advancement workshop among agency heads and awareness sharing through performance evaluation for agency heads.**

Foundation for quality improvement

- **Rational adjustments in functions and employees: Preparation for further improvements.**
- **Enhancement of competency through efficient management**

IV. Direction of the SOEs Policy

1. External Restructuring



1. Management Reform-Labor relationship

Establishment of respectable working environment initiated by public sector

Independent
Personnel
Management

Reasonable
and fair labor
unions

Strong Control

- Full disclosure of collective employment agreements, and monitoring control against illegal co-operations
- Awareness education

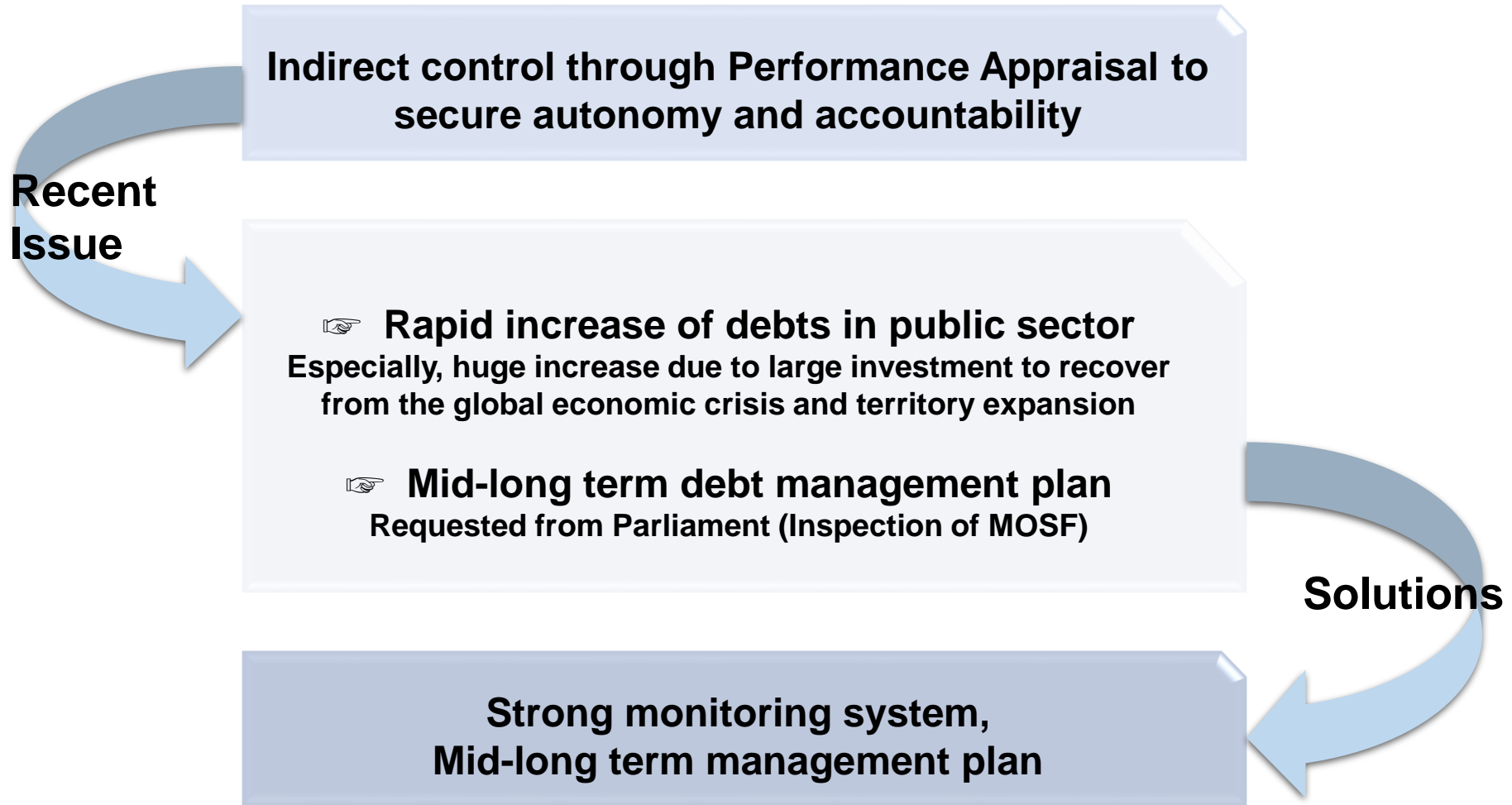
Early adoption of new policy

- Policy against the over-payments to new employees
- Formation of multiple labor unions

Reform of Performance Appraisal System

- More importance on performance results
- Performance achievements reflected in incentive payments to employees

1. Management Reform-Financial Stability



2. *Autonomy and Accountability-Self-management*

Trial of Self-management System

- Selected from organization with competitive power in free market with private sector; or with privatization plan : Incheon International Airport, Industrial Bank of Korea, Korea Gas Corporation, Korea Regional Heating Corporation
- 'Self-management Contract' promoting expansion of autonomy and performance achievements
- Flexibility on new recruitments and budget spending for development of overseas business or new projects

Interim Assessment

- Further continuous self-management system determined by performance achievements
- Assessment results reflected on CEO appointment and incentive payments

Further application

- Development of successful self-management model with experts' consultation
- Gradual application to other organizations in public sector

2. *Autonomy and Accountability-Performance Assessment*



Tailor-made practical assessment system causing less burden

Less organizations for performance appraisal & Different performance indicators used for each organization

- Small-medium size quasi-government agency: Quantities indicators only
- Different indicators for SOE(market-oriented) and quasi-government agencies considering nature of each functions and operations

Simplification and Objectivity

- Focus on core performance indicators through elimination of duplicated measurements
- Emphasis on management achievements and minimization of unquantifiable indicators

2. *Autonomy and Accountability-Achievement-focused*

**Secured Job with
No internal
competitions**

**Achievement
-focused
system**

**Assessment system for
individuals and departments**

- High achievements – Incentive payments, Promotion, Prizes
- Low achievements - Transposition, Empowerment training

**Nominal
remuneration
system Not
reflecting each
individual's
achievements**

**Guidelines
for advanced
remuneration
system**

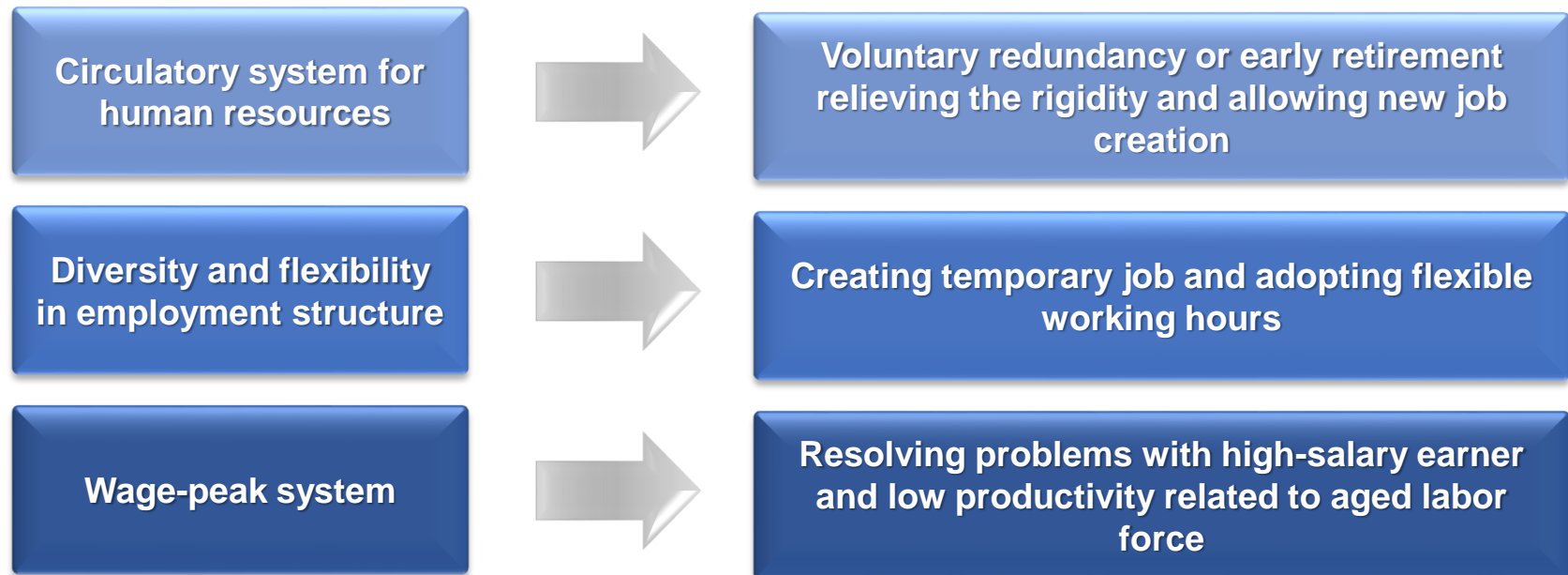
**Assessment system for
individuals and departments**

- High achievements – Incentive payments, Promotion, Prizes
- Low achievements - Transposition, Empowerment training

2. *Autonomy and Accountability-Flexible employment*

Current employment

Rigidity in labor market obstructing national competitiveness
→ Flexible employment culture preceded by public sector



3. Advanced Functions

-policy development at Research center for State-Owned Entities



Main functions	
Think Tank	Research : Policy-agenda search, Analysis for contribution to national economic contribution, etc. Knowledge Database : Development of new performance indicator, and establishment of statistical infra-structure with useful data, etc.
Networking	Domestic and international co-operation through policy forum and international symposium, Brain pool with experts, public employees and general populations for discussions and debates

Competency for Globalization-New Growth



Examples

- New Growth Area where the private sector can't reach → Investments from public sector enhancing global competitiveness
 - *Environment, Energy, Water-resource, City development, etc.
 - Industry requiring significant investment with big money → led by public sector
 - *Smart Grid : Electricity, IT, Constructions, Auto mobiles, etc

Competency for Globalization-Active overseas expansion

Area

- **Pre-emption in global market: Industry where the public sector holds advantages – Sale of Nuclear power plant**
- **Strategic responses for energy/food security: Resource development, Agricultural advancement, etc.**
- **Less domestic demands stimulating expansion to new overseas market – SOC Constructions, etc.**

Method

- **Network to ODA, KSP improving national brand**
- **Package-type strategy for new construction, investment and resource security**
- **Synergy from cooperation with private sector (consortium)**

Competency for Globalization

-Competitiveness in Science & Technology

Transformation in R&D environment

Intensive technology competition in global market

Merges and convergence in science and technology

Current status of research centers

- Partitioned structure
 - Spending 25% of government budget for R&D
- Unsatisfactory results

Private committee established for opinion collection & further improvement

Global leadership for Creative Reform (Lead-up)

- (HW) Network with other research centers
- (SW) Development of fair and accurate performance appraisal system

Thank you.