Korea’s economic growth over the past 60 years can be attributed to both industrialization and globalization. As its industrial structure progressed rapidly from the introduction of primary industries to the inclusion of secondary and tertiary industries, Korea achieved highly compressed economic growth. The industrial policy, specifically in light of the government’s export-oriented development strategies, was a success. However, as both internal and external circumstances have changed since the 1990s, restructuring became necessary. Efforts to develop intellectual talent and to conduct research and development activities were made across all industries. The government focused on fostering the private sector, and its economic system and industrial structure resembled that of the early 1960s, Korea’s economy depended primarily on agriculture, manufacturing accounted for less than 20% of domestic production, and less than 10% of employment. Beginning in the early 1960s, Korea focused on economic growth through industrialization, and it was during this time that manufacturing became the key to Korea’s economic development. Export-oriented industrialization and economic growth were the new strategic face, and the government-led industrial development policy was emphasized. In the 1960s, an export-led strategy based on light industries such as fabrics, plywood, shoes, and toys became the leading export. In the 1970s, the government promoted heavy chemical industries, and the main industrial focus shifted from light to heavy industries overall. In the 1980s, high technology products such as semiconductors, computers, and smartphones became important exports. In the 1990s, high technology products such as semiconductors, computers, and smartphones became important exports. The inclusion of secondary and tertiary industries, Korea achieved balanced growth policies.

Changes in industrial structure are usually assessed by reviewing changes in the share of agriculture, forestry, fisheries, mining, manufacturing, services, and other industries. Korea’s industrial structure rapidly shifted from primary to secondary and tertiary industries. The number of employees in each industry group is used as an excellent indicator of the changes in industrial structure. Since the 1980s, the agriculture, forestry, fisheries, and mining industries in Korea have suffered a steady decrease in employment while manufacturing, services, and other industries increased. Similar patterns of decrease in agriculture along with a concurrent increase in manufacturing have also occurred in other countries, but what is unique about Korea’s changing employment pattern is that it happened very rapidly. Exports of manufactured goods grew at an annual rate of over 20% for many years. Korea’s industrialization can truly be characterized as rapid and compressed economic growth. To examine the industrial structure of each city and province between 1985 and 2017, one must review the changes in total value added. In all regions, the total value added grew for 32 years. Rapid growth was seen especially in Gyeonggi-do, which exceeded Seoul in 2014. In all regions, the agriculture, forestry, and fisheries share decreased, and metropolitan areas showed a decrease in manufacturing and an increase in service and other industries.
The Location Quotient is an index that indicates how specialized a specific industry is within a certain region; it shows the number of people engaged in a certain industry within a specific region divided by the number of people in that same industry in the entire country. Generally, when the location quotient is over one, then that specific industry is specialized within that region. Spatially, industry is developed along the Gyeongbu Axis, and the heavy chemical industry is concentrated on the south side of the greater capital area, which indicates that many administrative and central functions are concentrated around the capital.

Korea’s first approach to manufacturing industries focused on factor-driven light industries until the early 1970s, but after the mid-1970s, it shifted its emphasis toward investment-driven heavy chemical industries. After the 1980s, it shifted again toward a focus on innovation-driven industries by fostering highly-skilled human resources and technological development.

The Distribution of Firms by Business and Scale

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Research and development investment in Korea has increased from less than 1% of the GDP in the early 1990s to 4% in 2012, and 4.4% in 2017. This growth represents a much faster growth in the technology-based sectors than in most other countries. The investment in research and development changed as well. By the 1970s, public research institutes accounted for more than half of the research and development, but the share of private sector investments rapidly increased to make up more than 70% since the 1980s.

The Change of Manufacturing Industry Structure

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The Share of R&D Expenditure by Investor

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Corporations and Innovation

Large export-industry firms played a significant role in Korea’s economic development. As development progressed, large firms became Korea’s cherished or completionists. Korea’s economy is highly dependent on large firms, and large firms have become increasingly important since 2000. The top 50 companies account for about 50% of the total listing. Among them, the top 50 companies account for 43%. Among large firms with more than 300 employees, 37% and 17% of these are located in Gang and Gyeon, respectively. About 50% of large firms are located in the greater capital region, which indicates that many administrative and central functions are concentrated around the capital.

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A number of crises during Korea’s transformation times economically reorganized world power deeply affected national economic activities. The two oil crises in the early and late 1970s, the decrease in competitiveness due to labor disputes and wage increases in the late 1980s, the Asian foreign exchange crises in the late 1990s, and the global financial crisis of the late 2000s all had profound effects on Korea’s economy. The most recent crisis led to a lower employment rate and a higher unemployment rate, which cast a shadow over the national economy. Fortunately, due to intensive restructuring in both private and public sectors, the economy recovered relatively quickly, and it has started to show growth since the beginning of this decade.

The employment rate is the share of the employed as a percentage of the entire population group older than 15 years of age, and the unemployment rate indicates the share of the unemployed as a percentage of the economically active population, both of the employed and the unemployed. The employment rate is lower in municipalities even though there are many jobs, but this is due to the high urban population that allows for the social advantages. On the other hand, the unemployment rate is high in urban zones due to the high number of job seekers compared to the rate of urban population.

Korea’s rapidly aging population is causing serious social issues such as a breakdown in securing support for the elderly and age-based income inequality. The number of young job seekers who are not influenced in unemployment rate statistics is also on the rise. The population of the elderly who are not supported by their children is also increasing, making their employment issues more serious. In 2015, the employment rate was 76.8% for men and 56.4% for women, indicating a drop for men and a rise for women over the past 10 years. Meanwhile, the proportion of non-regular workers for women is far higher than that for men, and this proportion is increasing. The increase in women’s employment usually takes the relatively vulnerable job sector. The youth unemployment rate has risen from 7% in the early 2000s to 9.4% in 2017, creating a serious social problem. Looking at the relative poverty rate, particularly defined as less than 50% of the median income, the women’s poverty rate appears to be higher than that for men. In 2015, the elderly poverty rate rose to 65.8%, showing this to be a very serious situation.

The state-led and export-oriented Korean economic development strategies faced a major crisis during the late 1990s. Change-upon-change in the economic policies caused a rise in poverty. Until the early 2000s, the concept of social economy was not well-received in Korea. It started to draw attention in the 2000s and has now emerged as a major policy issue. There are many indications of the term “social economy,” but it is commonly agreed that the social economy incorporates economic activities that privilege meeting social needs before profit maximization. It is related to the involvement of Kinship-oriented communities in the production or consumption of socially useful goods and services. Policy actors around the world are increasingly interested in the social economy to sustain livelihoods and deliver welfare services. In 2008, Korea started the Social Economy Promotion Act, thus becoming the first Asian nation to legally stipulate the qualifications for social enterprises and to adopt policies for promoting them. Social enterprises and cooperatives can be cited as the representative types of social economic organizations in Korea, and social ventures and impact investments are also growing. Social economy can also be related to the “industrial growth” stimulation, which means that the quality of life is generally enhanced by giving members of society the opportunity to participate in equal economic activities and by the fair distribution of growth benefits. Policies are pushing for a hike in the minimum wage and the conversion of non-regular workers into regular workers to improve equality in the labor market.

**Social Economy and Inclusive Growth**

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