

Jobs and the disciplined market



A well-functioning market will widen opportunities for young people, believes **Park Geun-hye**, president of South Korea

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The G20 summit in St Petersburg in September 2013 reiterated the call for inclusive growth, noting that “too many of our citizens have yet to participate in the global recovery”. History bears witness to the fact that if progress takes place at the expense of many being left behind, it will eventually backfire—be it through economic or social channels.

Providing a better environment that supports growth and job creation is a matter of urgency. According to the International Labour Organisation (ILO), as of 2012 almost 200m people out of the global working-age population of 5.3 billion are jobless. The unemployment rate is highest among the young, at 12.6%, even though 19m youngsters have dropped out of the labour force. The headline jobless figure is higher in advanced economies, but emerging-market economies often suffer from large underemployment and developing countries from poor-quality jobs.

In fact, youth unemployment was high even before the financial crisis, especially in developed countries. This worrisome trend stretches back over the past 30 years, together with a steady fall of labour income’s share of GDP, giving rise to deteriorating income inequality in many parts of the world. Without major policy changes, the ILO expects overall unemployment during 2014-17 to remain at 6%, and youth unemployment to rise to 12.9%.

We cannot simply stand idly by and watch this imbalanced growth continue. Too many people are struggling to make ends meet, even now that we are emerging from the crisis. Several leaders echoed these concerns during the G20 summit. In particular, they stressed the importance of inclusive growth. Others pointed to social policy and an investment-friendly environment as important conditions for creating demand for labour.

In this regard, we need to go beyond maintaining accommodative fiscal and monetary policies to support the recovery. We must raise the employability of those left behind by industrial advances, make labour markets more flexible and provide a social safety-net for the most vulnerable. Moreover, we should step back and review whether there are distortions in our institutions and weaknesses in our policy implementations that may hinder the effective operation of our markets. The market-based system, if properly managed, can allow most of us to work and earn a basic living, be it in the form of employment or running our own businesses.

The urgent priority in 2014 is to create quality jobs. This can be achieved if we lean on the market to deliver, as it has done repeatedly in the past, so long as we make sure it is working properly. Fair competition and fair returns for labour are both basic characteristics of a well-functioning market. I call such a system a “disciplined” market economy. Such an economy has clear rules, and good practice prevails because breaking the rules with impunity is not tolerated. We do not want players to leave the game because they are discouraged by unfair rules or a biased referee.

Creative construction

We have greater diversity when the greatest number of people participate in the market, and diversity brings forth ideas. A disciplined market will also help turn ideas into business, because anything of value can be traded in a well-functioning market. We need many of these ideas to help expand our innovation frontier, and thereby provide greater welfare for all. We also need to make sure that we make effective use of all our existing technologies. In Korea, we have named such an environment, where value-added is generated from ideas, the Creative Economy.

We aim to raise the employment rate from 64% to 70% in the next five years under the Creative Economy strategy. We started by reviewing whether we have a disciplined market. In addition, we are strengthening our training and education systems to raise the employability of young people; providing technical and financial support for start-up businesses; and strengthening the social safety-net. On this foundation, we are encouraging ideas to flourish that can be converted into productive innovation. We hope that these efforts will help large industries to move up the value chain, and small and medium-sized enterprises to operate without special government intervention, creating employment along the way.

We are just beginning, but are hopeful that within the next five years we will be able to reach our employment target of 70%. We hope that through sharing best practices, from both successes and failures, in the context of global co-operation such as the G20, we will create durable employment. It will not be easy. But the prize is big: a global community where dreams and talents can be expressed fully, and where new jobs are made available founded on the Creative Economy. ■