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ESG POLICY TRENDS IN SOUTH KOREA'S PUBLIC INSTITUTIONS: FROM SOCIAL VALUE TO ESG

By Hochang Song and Chang Wook Min

OVERVIEW

This article focuses on the Korean government's environmental, social, and governance (ESG) policies, particularly as applied to public institutions. In Korea, public institutions play a critical role in the national economy. As of 2019, the budget for public institutions was 1.4 times larger than the national budget.[1] Korean public institutions not only provide public services to the market but also influence various private enterprises by entering procurement contracts. Thus, it is meaningful to review and analyze the ESG policies and trends in Korean public institutions, since they may have a broader effect.

Public institutions are established and supported by government investment. Due to this government support, public institutions find it unnecessary to receive investment from the private sector or funding from financial institutions, which means the government is the key stakeholder with the largest influence on public institutions in terms of ESG policies. In this context, the Korean government unveiled the "Economic Policy Direction for H2 2021" in June 2021, announcing that it would take measures to "ensure that public institutions will play a leading role in implementing ESG-based management."[2] The 2021 policy direction itself built upon several years of effort to implement ESG policy.

Although precise predictions regarding the long-term effect of the government's ESG policies on public institutions are challenging to make, the policies implemented by the ruling Democratic Party and the Moon Jae-in Administration for the past five years offer some clues. Taking office in May 2017, President Moon said one of the main tasks for the administration would be to "have public institutions realize social values."[3] Here, "social values" refer to not only the values to be realized in the social (S) sector, such as labor, human rights, and safety, but also those in the environmental (E) and governance (G) sectors, such as reduction of greenhouse gas emissions and ethical management. Thus, it can be said that the Korean government's pursuit of social values is its *de facto* ESG policy. Analyzing the social value policies introduced to public institutions by the ruling Democratic Party and the Moon administration and the results of such policies, helps to better understand the Korean government's ESG policies and their implications.

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This article consists of three parts. The first part focuses on the present state of Korean public institutions and the government's regulations on public institutions, in most cases through the evaluation of the management performance of public institutions (hereinafter MPE) and the public disclosure of the management performance of public institutions (hereinafter MPD).The second part reviews the Moon administration's social value and ESG policies towards public institutions since May 2017, with detailed analysis on the change of the items related to environment (E), social (S), and governance (G) in the government's MPE and MPD. Finally, the third part addresses how much social value has been created by public institutions as a result of governmental policies, the limits concerning the current polices on social values, and considerations for implementing ESG policies in the future.

PRESENT STATUS OF KOREAN PUBLIC INSTITUTIONS AND RELATED REGULATIONS PUBLIC INSTITUTIONS AND THEIR ROLE IN THE KOREAN ECONOMY

Public institutions are institutions established and operated with an investment, financial contribution, or funding from the government, which are annually designated through the Minister of Economy and Finance.[4] The Public Institutions Management Act classifies public institutions into three categories: public enterprises, quasi-governmental institutions, and non-classified public institutions. As of 2021, the total number of public institutions was 350, consisting of 36 public enterprises, 96 quasi-governmental institutions, and 118 non-classified public institutions.[5] Public institutions are more specifically classified into different types as follows:

Table 1. Classification of Types of Public Institutions

<table>
<tr><th colspan="2">Classification</th><th>Classification</th><th>Requirements for Designation(Principles)</th></tr>
<tr><td rowspan="2">Public Enterprise</td><td>Market-type Public Enterprise Quasi-market Type Public Enterprise</td><td rowspan="2">Total number of employees≥50
Total revenue ≥ KRW 3 billion
Asset ≥ KRW 1 billion
Ratio of self-generating revenue to total revenue≥50%</td><td>Institutions with self-generating revenue out of total revenue ≥85%
(with assets equal to or more than KRW 2 trillion)</td></tr>
<tr><td>Quasi-market Type Public Enterprise</td><td>Institutions with self-generating revenue out of total revenue 50%-80%</td></tr>
<tr><td rowspan="2">Quasi-Governmental Institution</td><td>Fund-management-type Quasi-governmental Institutions</td><td rowspan="2">Total number of employees ≥50
Total revenue ≥ KRW 3 billion
Asset ≥ KRW 1 billion
Ratio of self-generating revenue to total revenue<50%</td><td>Institutions managing the funds of the national government</td></tr>
<tr><td>Commissioned-service-type Quasi-governmental Institutions</td><td>Quasi-governmental institutions other than fund-management-type quasi-governmental institutions</td></tr>
<tr><td colspan="2">Non-classified Public Institutions</td><td colspan="2">Public institutions other than public enterprises and quasi-governmental institutions</td></tr>
</table>

The fundamental role played by public institutions in the Korean economy is to produce and provide public services to the private sector. Public enterprises play the role of creating public services to resolve the problems of market failure and satisfy the policy goal of universal service in the public utility sectors such as electricity, water supply, railroads, airports, and more. Quasi-governmental institutions also provide public services for the sectors of consumer protection, facility management, public health and welfare service, technology, human resources, and information support services for promotion of industries, policy financing services, and others. For example, Korea Electric Power Corporation (KEPCO) is the largest public enterprise in South Korea with sales of KRW 58.6 trillion in 2020. KEPCO engages in the development of power sources, power generation, transmission, transformation, and distribution.[6]

Public institutions have a significant influence on the Korean economy, given that the total budget for public institutions in 2020 was KRW 727.9 trillion, which was 1.4 times larger than the national budget in 2020 of KRW 512.3 trillion.[7] The annual budget for public institutions accounts for 37.5 percent of the national GDP of KRW 1,940.7 trillion. In addition, as of 2020, the total assets of public institutions were KRW 897.6 trillion while the total debts thereof were KRW 541.2 trillion, which accounted for 46.2 percent and 27.8 percent of the national GDP, respectively.[8]

Government Regulation of the Management of Public Institutions

Although public institutions operate with significant autonomy, the government supervises and manages them to enhance rationality and transparency concerning their operations. In order to manage public institutions, the government mainly uses MPE and MPD. The government evaluates the management performance of public institutions annually and determines the performance incentives of the heads, officers, and employees of public institutions based on the evaluation results.[9] Annually the government decides the indicators and score percentage for the MPE for the previous year and then applies the foregoing evaluation criteria to evaluate the management performance of public institutions for the current year. The government is thus able to manage public institutions by implementing its major policy objectives in the foregoing evaluation criteria. The heads of public institutions who have received grade E, the lowest grade, or grade D in the MPE for two consecutive years may be subject to the proposal for dismissal. Consequently, public institutions are especially sensitive to the MPE results, and the formulation of evaluation indicators significantly affects public institutions' management strategies.

With regard to MPD, each public institution is obligated to disclose the major information on its management performance in the consolidated form (hereinafter Consolidated MPD) on the "All Public Information In-One" (ALIO) system, and if it discloses false information or is negligent in disclosing such information, it may face a corrective order or personnel action.[10] As any person has access to the information disclosed in the consolidated form by public institutions, the government indirectly manages them by adjusting the items subject to Consolidated MPD. The government may also have influence on the governance of public institutions through actions such as the appointment or dismissal of officers of public institutions, under the Public Institutions Management Act.[11]

PROMOTION OF ESG MANAGEMENT IN PUBLIC INSTITUTIONS

Establishment of Policies for Realization of Social Value in Public Institutions

President Moon Jae In, who took office in May 2017, announced his plan to "have public institutions play a leading role in realizing social values" as the part of his administration's 100 policy tasks.[12] The details of the task are below. The first was to operate public institutions to realize social values such as human rights, safety, the environment, and creating decent jobs, particularly by having public institutions implement policies that convert non-regular workers (fixed-term, part-time, and dispatched workers, and some independent contractors) into regular workers (full-time workers). The second task was to expand the information required to be disclosed by public institutions under the MPD system by 2019. The third was to modify the 2017 MPE guidance to carry out employment-friendly evaluation and implement MPE reflecting social values starting in 2019. The fourth was to amend the Public Institutions Management Act to enhance the independence of auditors and to introduce the board-level employee representation system in public institutions.

Increasing Score Percentage for Social Value as an Indicator for MPE

In December 2017, the Ministry of Economy and Finance completely reorganized the "Guidebook on Management Performance Evaluation on Public Institutions" to increase the score percentage for "Social Value" as an indicator for MPE.[13] In the previous guidebook, under the indicator, "Management Strategy and Social Contribution," there were only two sub-indicators related to social values, namely, "Strategic Planning and Social Responsibility" and "Policies Recommended by the Government." In 2017, 11 total weighted points were allocated to the foregoing two sub-indicators. However, in 2018, "Realization of Social Values" was newly introduced as the main indicator for evaluation, with a total point value of 22 for public enterprises and 20 for quasi-governmental institutions. The government's creation of a new indicator for the evaluation of South Korea's public institutions demonstrated that efforts to realize social values were increasingly recognized as a principal aspect of their operation, rather than incidental activities. Moving forward, the guidebook was partially amended to increase the weighted point totals for "Realization of Social Values" to 24 and 22 in 2019, and to 25 and 23 in 2020, for public enterprises and quasi-governmental institutions, respectively.

In addition to more heavily weighting "Realization of Social Values" as an indicator in the evaluation of the management performance of public entities, the Moon administration added several new ESG-related sub-indicators. The sub-indicators included: Creating Jobs; Equal Opportunity and Social Integration; Safety and Environment; Co-existence, Cooperation, and Community Development; and Ethical Management. The creation of these various sub-indicators indicated that the Moon administration was intent to create a more comprehensive and detailed framework for evaluating the implementation of ESG policy goals in public institutions.

The sub-indicator of Creating Jobs was meant to evaluate a public enterprise's efforts to convert non-regular workers into regular workers, hire unemployed young people, and create jobs in the private sector. The Equal Opportunity and Social Integration sub-indicator focused on the mandatory employment of people with disabilities, preferential employment of people of national merit, the absence of discrimination in the hiring process, and hiring more women as managers. The Safety and Environment sub-indicator aimed to evaluate a public enterprise's performance in reducing carbon emissions and energy saving, purchasing green products, establishing and operating disaster management systems, preventing occupational accidents, and protecting personal data. The sub-indicator of Co-existence, Cooperation, and Community Development focused on a public enterprise's purchase history of the products made by small- and medium-sized enterprises (SMEs), social enterprises, and cooperatives, the development of programs for improving the economy of local communities, and whether the payment to its suppliers has been made on time. Lastly, the Ethical Management sub-indicator was meant to assessed whether a public enterprise has established and operated an ethical management system, and provided human rights-related education and procedures of relief with respect to human rights infringement and measures to prevent any conflicts of interest.

The Moon administration developed the MPE system for public institutions to emphasize social values as well as environmental and governance issues. Such policy trends are reflected in the Consolidated MPD system.

Putting More Weight on ESG Factors in the MPD for Public Institutions

The main categories subject to disclosure under the Consolidated MPD system are general information, institution operation, major projects and management performance, internal and external assessments, and information disclosure.[14] The newly added items subject to disclosure are, in most cases, related to social values, such as the information on trade unions (2009), work and life balance (2015), and safety (2019).[15] In this context, the government amended the "Criteria for Consolidated MPD" in February 2021 to put more weight on social values. Under the amendment, the government required public institutions to disclose a "Report on Responsibility for Safety Management" and created new items subject to disclosure relating to the environment, such as "green product purchase history" and "performance in carbon emissions reduction." In addition, considering the situations relating to the spread of the COVID-19 pandemic, the government added items such as "family care leave" and "workplace nursery" schemes.[16] In February 2022, the government once again added the items subject to disclosure with respect to the ESG sectors (see the table below).

Table 2. ESG Items to be Included in Consolidated MPD in February 2022

Classification		Details
Environmental (E)	Energy Consumption	Disclosure of annual energy consumption (April)
	Waste Generation	Disclosure of annual waste generation (April)
	Water Use	Disclosure of annual water use (April)
	Status of Violation of Environmental Laws and Regulations	Disclosure of violations of environmental laws and regulations (at any time)
	Status of Low-Emission Vehicles	Disclosure of the status of possession and purchase of low-emission vehicles (July)
Social (S)	Personal Data Protection	Disclosure of the results of the PIPC's assessment of personal data protection level (July)
	Ethical Management	Disclosure of the current status of establishment and implementation of the human rights management system (July)
	Results of the Evaluation of Shared Growth	Disclosure of the results of the Ministry of SMEs and Startups' evaluation of the shared growth (July)
Governance (G)	Current Status of the Department of Internal Audit	Disclosure of the status of installation and operation of the internal audit department (April)
	Results of Transparency Evaluation	Disclosure of the results of the Anti-Corruption and Civil Rights Commission's evaluation on the comprehensive transparency level (July)

Introduction of Board-Level Employee Representation in Public Institutions

On January 11, 2022, the National Assembly of Korea amended the Public Institutions Management Act to introduce the board-level employee representation system (hereafter the Labor Director System). The Labor Director System allows an employee to participate in the process of making management decisions for the company.[17] The Labor Director System was first introduced to the institutions funded by the Seoul Metropolitan Government through the Seoul Metropolitan Government's ordinance enacted in May 2016 and then introduced by regional governments in Gwangju, Gyeonggi-do, and Incheon. At that time, then-presidential candidate Moon Jae-in made a campaign pledge to introduce the Labor Director System, a commitment he later included in his administration's 100 national tasks upon winning the presidential election.[18] As a result, the Labor Director System was legislated after it was discussed by the Economic, Social, and Labor Council. Under the 2022 amendment to the Public Institutions Management Act, public enterprises and quasi-governmental institutions were required by law to appoint one of their workers as a non-standing director. Such a worker shall be the person who is recommended by a worker representative or who received consent from the majority of the workers, among the workers who have worked for the institution for three or more years.[19]

MEANINGFUL ACHIEVEMENTS

Creating Decent Jobs and Increasing the Number of Workers Hired for Social Equity

In Korea, reducing the number of non-regular workers is a critical social issue. The South Korean labor market is divided into two sectors by employment type: regular and non-regular workers. Under such a labor-market duality, non-regular workers are not fully protected by existing labor laws. Korea has strict restrictions on dismissal, but they apply only to regular workers.[20] Converting non-regular workers into regular, provides them greater job security.

The Moon administration's policy toward public institutions made some meaningful achievements. First, the number of non-regular workers in public institutions significantly decreased. In July 2017, the government announced the "Guidelines for Converting Non-Regular Workers into Regular Workers in the Public Sector" to specify that non-regular workers in national and regional governments, public institutions, and regional public entities, shall be converted into regular workers if their duties 1) must be carried out for nine months or more during a year, and 2) are expected to continue for two or more years.[21] Since the proportion of the non-regular workers converted into regular workers and the number of regular workers is subject to the MPE and MPD, many public institutions have endeavored to convert non-regular workers who carry out their duties on a regular and constant basis into regular workers for the past 5 years. As a result, the number of non-regular workers in public institutions has gradually decreased from 134,664 as of 2017 to 57,025 as of 2021.

Table 3. 2021 Public Institutions' MPD:[22] Number of Non-Regular Workers (Unit: Person(s), %)

Category	'17	'18	'19	'20	'21
Non-regular Workers	134,664	103,654	79,836	60,740	57,025

Over the past five years, 101,720 non-regular workers in public institutions were converted to regular positions, indicating that the Moon administration's decent job policy contributed significantly to the reduction in the number of non-regular workers. This included KEPCO, which converted 8,259 non-regular workers into regular positions for the last five years in accordance with the Moon administration's social value policy.[23]

Table 4. 2021 Public Institutions' MPD: Number of Regular Workers Converted from Non-regular Positions[24] (Unit: Person(s), %)

Category	'17	'18	'19	'20	'21
Regular Workers Converted from Non-regular Positions	9,786	36,643	34,348	18,522	2,421

In addition, there was a slight increase in the number of minorities hired by public institutions, meaning women, people with disabilities, and local talents who live outside Seoul and reside in the region where the public institutions are based. According to the data disclosed under the MPD, the proportion of women newly hired by public institutions increased from 43.8 percent in 2017 to 47.6 percent in 2021, and the proportion of new hires with disabilities increased from 1.6 percent in 2017 to 2.7 percent in 2021. In addition, despite the huge gap between the capital's metropolitan area and other non-capital regions, the number of local talents in non-capital regions newly hired by public institutions has increased since 2017. Since the number of workers hired for social equity is subject to MPE and MPD, it appears that public institutions paid attention to minority representation in their hiring process.

Table 5. 2021Public Institutions' MPD: Employment for Social Equity (Unit: Person(s), %) = The Proportion of such a Number in Relation to the Total Number of New Hires

Minorities Category	'17	'18	'19	'20	'21
Women	9,923 (43.8%)	15,411 (45.5%)	19,573 (47.4%)	14,395 (46.8%)	12,871 (47.6%)
People with Disabilities	365 (1.6%)	657 (1.9%)	2,119 (5.1%)	686 (2.2%)	734 (2.7%)
Local Talents Residing in the Region Where the Public Institution Relocated	1,452 (6.4%)	1,929 (5.7%)	2,069 (5.0%)	2,019 (6.6%)	2,222 (8.2%)
Local Talents Residing in Non-Capital Regions	12,130 (53.5%)	18,657 (55.0%)	19,692 (47.7%)	16,530 (53.8%)	16,232 (60.0%)
Youth	19,357 (85.4%)	27,634 (81.5%)	27,688 (67.0%)	22,681 (73.8%)	22,098 (81.7%)
Total Number of New Hires	22,659	33,894	41,322	30,736	27,053

Decrease in Deaths from Occupational Accidents

The South Korean government also made some achievements in terms of safety management. Following the increase in the indicators related to safety subject to MPE and MPD for public institutions, occupational fatalities have decreased from 59 people in 2017 to 40 in 2021.

Table 6. 2021 Public Institutions' MPD: Occupational Fatality (Unit: Person(s), %)

Category	'17	'18	'19	'20	'21
Occupational Deaths	59	53	38	45	40

Of course, the causes of the decrease in occupational deaths may vary, including, most notably, COVID-19-related quarantine measures starting in 2020. However, public institutions have had to pay more attention to safety management after the government introduced the "Safety Rating System for Public Institutions" for the first time in 2020 and started to reflect the results of the safety ratings in the MPE scores in 2021. The safety rating system for public institutions is a system to evaluate the safety management capacities, levels, and achievements of the public institutions that may have hazardous working conditions such as those with construction sites, workshops, facilities, or research facilities, and to divide their safety management levels into 5 grades. In 2020, 98 public institutions became subject to such safety ratings. According to the results of the 2021 safety ratings for public institutions published by the Ministry of Economy and Finance in May 2022, the number of public institutions that received grade 2 (good) increased from 8 in 2020 to 11 in 2021, while those that received grade 3 (fair) increased from 57 to 59, and those that received grade 4 (insufficient) decreased from 31 to 26 for the same year.

Table 7. Results of Evaluation for the Safety Ratings for Public Institutions[25] (Unit: institution(s), %)

Category	Institutions	Grade 1 (Excellent)	Grade 2 (Good)	Grade 3 (Fair)	Grade 4 (Insufficient)	Grade 5 (Poor)
'20(A)	98	-	8 (8.2)	57 (58.2)	31 (31.6)	2 (2.0)
'21(B)	99	-	11 (11.1)	59(59.6)	26(26.3)	3(3.0)
Increase or Decrease from year to year (B-A)	1	-	+3 (2.9)	+2 (1.4)	-5 (-5.3)	+1 (1.0)

Although it is too soon to argue that the change in policy necessarily had a direct impact on the outcome, the Moon administration's new safety rating system and improvement in the safety management of public institutions coincided with a decrease in the number of industrial accident deaths. However, over time, such measures likely will improve the awareness and monitoring of workers' safety and help contribute to low or decreasing industrial accident deaths.

Conducting Human Rights Impact Assessment in Alignment with International Standards

As the human rights indicator was included in the detailed items for MPE for public institutions at the end of 2017, public institutions started to conduct human rights impact assessments in compliance with the UN Guiding Principle on Business and Human Rights (UNGPs).[26] As a result, the National Human Rights Commission published the "Human Rights Management Manual for State-Owned Enterprises (SOEs)" in August 2018 and recommended SOEs to practice human rights management by applying the foregoing manual.[27] According to the National Human Rights Commission of Korea Act, public institutions and SOEs that have received a recommendation from the National Human Rights Commission shall notify the commission of a plan to implement such a recommendation within 90 days from the date of receipt thereof (Article 25). As of February 2019, 337 public institutions out of 338 established and notified the commission of the plan to carry out human rights management, including the implementation of human rights impact assessments.[28] Public institutions are now required to disclose the status of the establishment and implementation of the human rights management system on the ALIO in July each year. As such, thanks to the government's strong recommendations and restrictions on the MPE and MPD, all public institutions in Korea conduct a human rights impact assessment every year to identify, prevent, and mitigate human rights risks that may arise during engaging in their own activities and business relationships.

LIMITATIONS AND CHALLENGES

Limitation in Creating Decent Jobs

Although the Moon administration's policies for creating decent jobs have shown some quantitative gains, there are certain limitations. Most importantly, its policy for creating jobs in public institutions was neither designed from a long-term perspective nor did it consider each institution's business plan, financial conditions, or demand for human resources. In effect, this means that the government prevented all public institutions from using non-regular workers by sending them the guidelines for converting non-regular workers into regular workers, and reflecting the results of such conversion in the MPE. As a result, public institutions faced an increase in the size of the workforce as well as labor costs, which led to restrictions on the efficient use of budgets. Given that public institutions cannot use their workforce in a flexible manner, and it is difficult for them to adjust the workforce once it has been expanded, there have been many criticisms of the policy. Observers point out that if non-regular workers are uniformly converted into regular workers, public institutions may find it difficult to maintain business as usual or improve their financial outcomes.[29]

In addition, converting non-regular workers into regular workers gave rise to social controversy. Many young people in Korea pursue careers in public institutions because they guarantee higher pay and job security. Thus, when the existing dispatched and contract workers were converted into regular workers, many young Koreans felt that they had lost their opportunity to be hired, which caused intergenerational conflict.[30] Another problem lies in the government's policy of giving public institutions an option between "directly hiring the non-regular workers as regular workers" and "creating a subsidiary and hiring the non-regular workers as the regular workers hired by such a subsidiary."[31] According to the statistics published by the Ministry of Employment and Labor in August 2020, the non-regular workers of public institutions who were converted into regular workers through the method of creating a subsidiary accounted for 48.8 percent.[32] Many public institutions established a subsidiary to implement the government's policy, passing on the costs of incorporation and operations to the subsidiary. Conflicts between workers in the parent company and those in the subsidiary due to suspicions of discriminatory treatment in employment conditions further exacerbated those tensions.[33]

Tasks in the Environmental and Governance Sectors

Currently, environment-related items account for a relatively small portion of the MPE for public institutions. Among the five points allocated to "Safety and Environment" as a sub-indicator of the "Realization of Social Values," only one point is allocated to "Environment." Furthermore, the indicators consisting of the foregoing one point, such as "performance in carbon emissions reduction and saving energy" or "green product purchase history," existed even before the modification of the MPE guidelines in 2017. The Korean government has enforced the "Mandatory Purchase of Green Products by Public Institutions" since 2005 and has executed the "Greenhouse Gas Reduction and Energy Target Management System" since 2011 to assess and manage the greenhouse gas emissions and energy consumption of public institutions.[34] In other words, the MPE only reflected the records regarding public institutions' performance of already-existing policies. Although it is true that the existing measures, including the energy target management system, have made several achievements to some extent, a 2021 survey found that 276 public institutions, which account for 35.35 percent of the total public institutions surveyed, failed to reduce carbon emissions by 30 percent, which was the 2020 greenhouse gas reduction target.[35] Even though President Moon Jae-in announced the government's goal to achieve carbon neutrality by 2050 on October 20, 2020, the government has failed to make achievement in Environment field.

In the governance sector, the Labor Director System became effective only in August 2022. Up until now, there has been a tendency for some heads of public institutions to simultaneously hold the position of chairperson of the board, making arbitrary decisions on major management-related matters.[36] Under the newly introduced system, however, workers may be able to become directors, which would enhance the board's diversity and make it possible to reflect the workers' opinions in the process of discussion and resolution by the board of directors. However, because the labor director serves as both a worker and a non-standing director concurrently, it is necessary to operate the system to ensure that labor directors can make decisions that benefit both the public institutions as a whole and the workers.

Ensuring Consistency in the Criteria for MPE

Public institutions are basically established to provide public services. Nevertheless, they also need to achieve stable financial performance to maintain their existence. Although it is necessary for the government to assess their contribution to the public interest and efficiency by implementing consistent criteria, the criteria for the MPE of public institutions have shifted depending on a changeover in administration due to elections. As mentioned above, after the inauguration of the liberal government in 2017, the total score for "social values" under the MPE of public institutions increased from 11 to 25, while that for "financial achievement" decreased from 18 to 10.

However, the Yoon Suk Yeol administration that took office in May 2022 announced a "Proposal to Amend the Public Institution Management System" on August 18, 2022, saying that it would decrease the total score for the social value indicator from 25 to 15 and increase the financial achievement indicator from 10 to 20.[37] The new administration will focus more on financial stability and decreasing debts than on creating jobs, which was a focus for the former administration.

However, for better ESG policy in Korea, it is desirable to maintain the criteria for MPE in a consistent and predictable manner to allow public institutions to establish and fulfill mid-to-long-term management goals. Of course, in countries with a democratic electoral system, inconsistency in policy direction is unavoidable as policies change in line with the election result. Nevertheless, it is critical for outgoing and incoming administrations to thoroughly communicate to maintain a degree of policy consistency.

CONCLUSION

In consideration of the distinct characteristics of the Korean economy, the Moon administration decided that public institutions were the fastest and strongest driver for implementing ESG policies and actively utilized them to spearhead ESG policy implementation. The Moon administration's policy to reduce the number of non-regular workers in public institutions and create more and better jobs was a meaningful attempt to deal with the problem of non-regular workers, which is a particularly controversial issue in Korea. Moreover, its policy to reduce the number of deaths from industrial accidents and improve monitoring of human rights also showed signs of success. Although it is too soon to draw sweeping conclusion, this initial policy effort shows that tools such as the MPE and MPD may be effective to help induce public institutions to fulfill the government's ESG policy goals.

It is also important to note that ESG policy is evaluated differently depending on one's political point of view and therefore subject to change due to electoral outcomes. Differing political perspectives notwithstanding, it is necessary to adopt more systematic and consistent criteria for the score structure for detailed indicators under the MPE. Although it is expected that the Yoon Suk Yeol administration will decrease the total score for social values under the MPE, this does not necessarily signify a reduction of the ESG policies of public institutions.

The Yoon administration explained that its decision to adjust the score was made because the original policy goal of realizing social values, was substantially fulfilled and it will enhance various measures to secure the responsible management and transparency of public institutions. In that regard, the Yoon administration has mentioned measures to include the non-standing directors' activities in the items subject to disclosure and reflect such activities in the MPE, to expand the establishment of the audit committee by public institutions, and to find more ESG items to be included in the disclosure requirement.[38] It appears that the Yoon administration has a goal to simultaneously achieve both the improvement of public institutions' financial achievements and the realization of ESG values based on sound governance.

Once again, since the Moon administration's ESG policy was applied to public institutions from 2018 to 2021, it is still too early to comprehensively evaluate its performance. Furthermore, the Moon administration's policy had controversial limitations. Nevertheless, the Moon administration's ESG policy for public institutions should not be overlooked. In the face of increasing global emphasis on ESG policy, the Korean government produced and has attempted to enforce responsive measures in an accelerated manner. Although the Moon administration's policy cannot be applied to all countries, it sets a meaningful example for countries with strong central governments and public institutions that can serve as a conduit for the implementation of ESG policies.

ENDNOTES

[1] National Assembly Budget Office, "Estimation of Public Institution's Share of GDP," September 2022.

[2] Ministry of Economy and Finance, "Economic Policy Direction for H2 2021," June 28, 2021.

[3] The Government of the Republic of Korea, "100 Policy Tasks," August 2017.

[4] Act on the Management of Public Institutions (hereinafter the "Public Institutions Management Act"), Article 4.

[5] Ministry of Economy and Finance, "2021 Public Institutions Fact Sheet," November 2021.

[6] KEPCO Sustainability Management Report 2021, https://home.kepco.co.kr/kepco/EN/D/C/KEDCPP004.do?boardCd=BRD_000014&menuCd=EN04010601.

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[8] National Assembly Budget Office, "Analysis on 2021 Fiscal Year Closing of Public Institutions," August 2022.

[9] Public Institutions Management Act, Article 48, etc.

[10] Public Institutions Management Act, Article 12.

[11] Public Institutions Management Act, Articles 25 and 26.

[12] The Government of the Republic of Korea, "100 Policy Tasks," August 2017.

[13] Ministry of Economy and Finance,"2018 Guidebook on Management Performance Evaluation on Public Institutions," December 2017.

[14] Ministry of Economy and Finance, "Criteria for Consolidated Disclosure of Public Institutions," February 2022.

[15] Ministry of Economy and Finance, "Expanding ESG in Public Institution Disclosure Items," March 4, 2021.

[16] Ministry of Economy and Finance, "Criteria for Consolidated Disclosure of Public Institutions," February 2021.

[17] Public Institutions Management Act, Article 25-3-2.

[18] The Government of the Republic of Korea, "100 Policy Tasks," August 2017.

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