New Paradigm Economic Policy for Sustainable Future and Prosperity

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“The major incentive to productivity and efficiency are social and moral rather than financial”

- Peter F. Drucker

Abstract

Intellectual capital and social capital is gaining attention as key variables for sustainability and prosperity of ‘the next society.’ Despite its economic miracle, the old paradigm manual of Korea has distorted its ability to accumulate intellectual capital and social capital. The unique situation of Korea requires a customized solution in order to obtain future competitiveness. The New Paradigm Economic Policy, concentrating on work-life balance and life-long learning at workplace, may provide a stepping stone for the Korean economy to advance towards knowledge based economy with abundant social capital.

Key Words: New Paradigm, Intellectual Capital, Social Capital, Korean economy, sustainability, prosperity, productivity
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I. Introduction

In his book “Managing in the Next Society,” Peter F. Drucker predicted that a paradigm shift in socio-economic sphere is beginning. According to Drucker, the next society is a “knowledge economy” dominated by “knowledge workers” that will replace the “manual economy” dominated by physical laborers. Knowledge economy “supports creation of knowledge by organizational employees and helps and encourages them to transfer and better utilize their knowledge that is in line with company/organization goals.” Knowledge workers differ from manual workers as manual workers work with his hands to produce goods and services while knowledge workers work with their head to produce ideas, knowledge, and information. Motivations for the knowledge workers are social and moral incentives rather than financial. Therefore, the new paradigm knowledge economy is a post-capitalist economy that differs from the old paradigm economy that concentrates on capital-labor relationship or economic growth. It rather pays more attention to broad factors of socio-economic development previously neglected such as intellectual capital and social capital. These new factors are being acknowledged by many scholars as the essence to sustainability and prosperity.

Studies on knowledge economy and a new socio-economic paradigm are gaining more attention with rapidly increasing importance in intangible assets in the business sector and the lessons from the global financial crisis in 2009.

![Countries Most Affected by 2009 Global Financial Crisis](Image)

*Image 1* from BBC World shows countries most affected by the 2009 global financial crisis. Countries less affected are either countries that do not have enough accumulated capital to be affected, or countries with high intellectual capital and social capital. According to various indexes such as Knowledge Economy Index (KEI) by World Bank, National Intellectual Capital Index (NICI) by United Nation, and Prosperity Index by Legatum Institute, such countries are generally Northern European countries with advanced life-long learning program and work-life balance. The correlation between advanced learning program and work-life balance with intellectual capital and social capital indicates that sustainable
future is achievable through improving employment situations.

In regards to sustainability and prosperity, Korea is not ready for the next society. The economic growth has failed to integrate into accumulation of intellectual and social capital. Such failure attributes to the exacerbating employment crisis that leads to income polarization, high working hours, high industrial fatality rate, increased household debt, and low birth rate. Poverty is driving people to criminal activities and suicide. As dating becomes less affordable, marriage and having children are being renounced by younger generation. Family values and social virtues are disappearing due to plummeting trust among the members of the society. Such tendencies lead to further depreciation of intellectual and social capital. Therefore, in order to reverse the spiral of plummeting intellectual and social capital, work-life balance and life-long education needs to be ensured by new employment policies appropriate for the new paradigm economy. Such policy will improve productivity and sustainability necessary for the next coming society.

The paper first introduces the concept of intellectual capital and social capital. The paper then examines the Korean socio-economic situation to identify the symptoms that impede the accumulation of intellectual and social capital. Finally, the paper provides a solution, ‘new paradigm economic policy’, aimed to achieve work-life balance and life-long learning at workplace is provided as an alternative towards the next society. The implementation of the solution will establish the foundation for a sustainable socio-economic growth for the future by creating a positive cycle of prosperity.

II. Intellectual Capital

The concept of intelligence capital emerged as a tool to discover value creation and value extraction of intangible assets that affect quality and productivity. Although there is not a commonly accepted definition of intellectual capital (Cabrita and Vaz, 2006), the core concept is related to “knowledge that can be converted into value” (Edvinsson and Sullivan, 1996) and intellectual material that has been formalized, captured, and leveraged to create wealth by producing a higher valued asset (Choo and Bontis, 2002).

The origin of the concept is developed after the Second World War by Deming and Durant as a new concept concentrating on knowledge as a tool to enhance quality. Peter F. Drucker developed this concept to claim that the emergence of the knowledge based society led by knowledge workers. After many years of studies by various scholars such as Sullivan, Sveiby, Edvinsson, and Lev, knowledge management and intelligence capital is gaining more attention as the importance of un-explained values of businesses increase compared to book values in market value of companies as shown by <Picture 2>. For example, Edvinsson claims that the company Google’s total value consists of 90% intellectual capital and 10% financial capital. As the socio-economic paradigm makes transition towards the new knowledge economic paradigm, the importance is expected to increase even further.
Intellectual capital consists of business recipe, human capital, organizational capital, and relational capital. The four components deal with productivity and efficiency of the organization varying by capabilities and attitudes of its members. General intelligence capital assessment includes the following criteria:

1. Business recipe – increased employment and competitiveness
2. Human capital – capability, attitude, and maintenance
3. Organizational capital (internal structural capital) – human resource development, organization, and culture
4. Relational capital (external structural capital) – trust

Such criteria have been developed by many scholars and have been standardized by the World’s largest intellectual capital assessment organization, Actcell Corporation. The mixture of the values, as shown on Picture 3, is not shown on the balance sheet, but is of critical importance to a company’s future success. The psychologically supportive design contributes to innovation and enhanced productivity.
According to Leif Edvinsson’s recent book “National Intellectual Capital: A comparison of 40 countries,” the top 10 nations over the last 15 years in terms of intellectual capital are: Finland, Sweden, Switzerland, Denmark, United States, Singapore, Netherlands, Norway, and Canada. Korea was ranked 21st, which is lower than its Asian rivals such as Singapore(6th), Japan(14th), and Taiwan(17th). Edvinsson noted that countries with high accumulated intellectual capital “invest the highest percentage of gross domestic product in education (5.4%-7.4%), have the highest ratio of broadband subscribers, the highest level of e-readiness and they invest the highest percentage of GDP in R&D.” The result is also similar to the findings of Knowledge Assessment Methodology (KAM) developed by the World Bank. According to Edvinsson, the weakness of Korea lies on its low investment on education, especially on life-long learning programs and economic incentives that are directly related to employment. Therefore, in order to accumulate intelligence capital, Korea needs to invest in education and alleviate the employment situation.

### III. Social Capital: Trust

Social capital is another socio-economic concept that is gaining more attention as a factor of sustainability. The idea originates from the old ideas of Alexis de Tocqueville who attempted to explore the strength of the society in its social cohesion and connectedness. In his book “Social Capital and Development: The Coming Agenda,” Francis Fukuyama defines social capital as “shared norms of values that promote social cooperation, instantiated in actual social relationships.” Scholars such as Robert Putnam claim that social capital is an essential component of democracy and market economy. While social capital is important for social stability and political progress, it is also essential for sustainable economic growth.
Among the different forms of social capital, trust directly correlates to confidence in trade, investment, employment, and economic performance. For example, a study by Stephen Knack and Phillip Keefer shows that with everything held constant, a 10% rise in the level of trust is associated with 0.8% of economic growth. Therefore, trust is the most commonly accepted index for measuring the relationship between social capital and economic growth. Since the paper seeks sustainability in a socio-economic perspective, the paper will also concentrate on trust in stead of other social capitals such as networkability, civil ethics, and virtues.

The Merriam-Webster Dictionary defines trust as “assured reliance on the character, ability, strength, or truth of someone or something; dependence on something future of contingent.” In economics, trust is defined as “the situation when agents expect a particular agent to do something.” Francis Fukuyama finds trust as an economic catalyst that reduces the cost of transaction, enables new forms of cooperation, and furthers business activities, employment, and prosperity. He also claims that higher levels of trust provide (1) lower administration costs; (2) higher institutional reliability; and (3) large and efficient organizations. Lower levels of trust, on the other hand, yield (1) corruption and trade influences; and (2) small and inefficient organizations. This explains how societies without sufficient levels of trust may fail to achieve targeted economic growth with abundant amount of capital and labor.

In 2009, Deutsches Institute of Wirtschaftsforschung (DIW) Berlin Socio-Economic Panel (SOEP) has found that there is a strong correlation between the level of trust among members of the society and the level of socio-economic development. The study shows that education and employment are highly influential elements determining the level of trust. Income inequality, poor labor environment, unemployment and inadequate education negatively impact the accumulation of trust.

Korean society serves as a model example of how inadequate employment and education can negatively affect the level of trust in the society. According to Samsung Economic Research Institute (SERI), the trust level of Korea is 24th among the OECD member countries. This is one of the lowest among the developed countries. Similar result was shown by the Legatum Institute’s 2010 Prosperity Index, in which Korea ranked 59th in the world social capital ranking. Such low levels of trust among members incur high social cost as shown above by the claims of Francis Fukuyama. Since education and employment are such important factors of trust accumulation, Korea needs to improve its education and employment situation to obtain sustainability through social capital accumulation.

IV. The Situation in Korea

The intellectual capital and social capital of Korea suggest that there is a need to improve the employment and education. In order to provide a customized solution, it is important to explore the current socio-economic situation and examine the problem.

On the surface, Korea is experiencing phenomenal economic growth rate. The growth of Korean Gross Domestic Product (GDP) reached 2.2% in the midst of the 2009 global financial crisis. In 2010, the growth rate reached 6.1%. The two numbers are significantly higher than most of the developed countries. According to the International Monetary Fund (IMF), Korean GDP ranked 15th largest in the world. It is estimated that Korea export has reached 470 billion dollars yielding a surplus of 40 billion. With the highest number in history, Korea is ranked the 7th largest exporting country in the world. With the exceptional economic
performance, Korea is expected to become one of the largest economies in the near future. Therefore, Korea seems to be the model country on the right track to become a country with advanced development.

However, the economic growth measured with quantitative indexes such as GDP can be misleading when measuring prosperity and sustainability. As United States Senator Robert F. Kennedy said:

“…Gross National Product counts air pollution and cigarette advertising, and ambulances to clear our highways of carnage… It counts the destruction of the redwood and the loss of our natural wonder in chaotic sprawl… Yet the Gross National Product does not allow for the health of our children, the quality of their education or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials… It measures everything, in short, except that which makes life worthwhile.”

Therefore, it is important to analyze the results of other qualitative indexes in order to diagnose the problem inherent in the Korean society. Various indexes show that the recent growth has failed to integrate into socio-economic development. The recent report by the Korea Development Institute (KDI), the potential growth rate is continuously decreasing due to the decrease in productivity. Sustainable growth is a prerequisite for a sustainable future. Sustainable growth is not achievable without potentiality which grows in accordance with productivity. According to the Hyundai Research Institute, the impairing momentum is caused by the Korean growth model that remains at its less efficient developing country model. The model is highly labor dependent as labor input is responsible for 41.9% of the Korean economic growth. The institute claims that the current Korean growth model has not progressed since 1980s. This also means that as long as the quality and productivity of labor does not improve, the Korean economy may not be able to secure sustainability. Therefore, it is important to explore the employment situation in Korea in order to find a new paradigm solution for sustainable future.

Despite Korea’s high dependence on labor, Korean employment situation and labor force utilization is one of the worst among the developed countries. The Labor force participation rate is the lowest among Organization for Economic Cooperation and Development (OECD) members. According to the OECD Employment Outlook 2010, Korean employment rate is 62.9% in 2009 which is lower than the OECD average of 64.8%. Considering that the employment rate of Switzerland, Netherlands, and Germany is 79%, 75.8% and 70.4%, the Korean economy is not fully utilizing its labor resources compared with other developed countries. The comparison is shown by <Picture 4> and <Picture 5>. According to the OECD Factbook 2008, 30.0% of the employed population of Korea is self-employed. In contrast, the OECD average self-employment rate is 15.8%. Considering 26.4% of the self-employed are bankrupt and 33.3% of the wage-workers are temporary workers, the practical employment rate is likely to be significantly lower than the nominal rate. Therefore, fewer people are generating income in the Korean economy compared to other countries leading to further wealth and income polarization.
The reason how the Korean economy was able to achieve such economic growth with low labor force participation is because most employed Koreans overwork themselves, therefore, increasing the labor input. As shown by Picture 6, an average Korean full-time worker works 2,256 hours annually as compared to the U.S. (1,768), Japan (1,714), England (1,646),
and Germany (1,390). The impact of the excessive working hours include: (1) less productive labor; (2) higher possibility of industrial disaster occurrence; (3) less new employment opportunities; and (4) inadequate work-life balance.

The cost of overwork is shown by industrial disaster rates shown by <Picture 7>. According to International Labor Organization (ILO), 22.5 people per 1,000 die at work place in Korea. The number is significantly low compared to other developed countries such as US (4), Germany (2.4), Sweden (1.6), and Japan (0). The economic losses due to these industrial disasters are estimated to be 16.2 trillion won (14.7 billion in U.S. dollars). Considering the devastating impact the industrial disasters have on the workers’ family, the aggregate social impact is immeasurable.
Such system increases the stress and fatigue of workers, leading to less productivity. Labor productivity of Korea has ranked 28th among OECD members which is 46% of that of the U.S. Losses from overwork not only have a negative impact on productivity and growth, but also impede foreign capital inflow by making investment in Korea less attractive. Such phenomenon is also known as ‘Korea discount’ which refers to continuous under-valuing of Korean firms by foreign investors. Korea discount leads to low stock-prices, under-priced manufactured products, and low brand value. For example, only Samsung Electronics has placed its name on the top 100 valuable brands, with the next valuable company of Korea, LG Electronics, being 168th. Low labor productivity and high cost of industrial disaster contributes to the loss of trust from foreign investors on Korean companies. Therefore, there is a need to improve productivity and reduce the cost of industrial disasters through alleviating the excessive working hours the Korean workers bear.

Korea also spends too less on education and training at workplace. According to the OECD Employment Outlook 2009, Korea spends .14% of its GDP towards training and education at workplace. On the other hand, Denmark spends 1.31%, Belgium spends 1.3%, Netherlands spends 1.09%, Germany spends .77%, and England spends .32%. Productivity of workers also depends on education and training. In a highly labor dependent economy like Korea, investment in human capital is crucial to improve productivity. Continuous education at workplace provides flexibility as it allows workers and organizations to adapt to the changing socio-economic environment. Therefore, it is the key to sustainable future through accumulation of intellectual capital and social capital.

In summary, Korean economic growth is plagued by inefficient use of labor, increased unemployment, and income polarization. A downward spiral is formed impairing the potentiality of the socio-economic development. Korean socio-economic growth is not sustainable if the trend is not reversed. It is clear that in order to reverse the trend Korea needs to improve its employment situation. This paper does not provide impractical solution such as simply creating new jobs. The solution this paper provides is a new paradigm solution that not only alleviates the employment rates, but also restores in intellectual and social capital and change the socio-economic foundation of Korea in order to pursue sustainable future development.

V. New Paradigm Solution

A. Concept

The New Paradigm solution provided by this paper is designed to accumulate intellectual and social capital through improving work-life balance and establishing life-long learning program. The solution targets to improve the employment situation of Korea through a mixture of ‘job sharing’ and ‘life-long education at workplace.’ The reduction of working hours and increased employment through job sharing and well established life-long education program at workplace will transform the physical-oriented labor capital into knowledge-based labor capital and shift the Korean socio-economic with enhanced innovative capabilities.

Job sharing is an employment arrangement in which two or more people share time to do tasks typically conducted by fewer people. This entails less per income wages in exchange for less working hours. The idea originated from the experience of the German car company, Volkswagen. In the early 90s, Volkswagen struggled against the emerging Japanese motor companies. The company, suffering from significant decrease in sales and profit, decided to
lower the working hours of its workers from 36 hours to 28.8 hours and cut 10% of the wages. The decision saved approximately 20,000 jobs and became a milestone of a new business-labor relation. Volkswagen’s case serves as a model example to companies seeking increased labor productivity while securing employment.

In Korea, it was first introduced by Moon Kook-hyun, former CEO of Yuhan-Kimberly Korea in a different form called the “New Paradigm” which applied education and training in the lost hours of work caused by job sharing. During Moon’s term as CEO, Yuhan-Kimberly faced economic crisis that not only devastate the Korean economy but also the entire Asian economy: the Asian financial crisis, also known as the IMF crisis in Korea. Moon decided to adopt a system utilizing “4 teams, 2 shifts” policy instead of “3 teams, 3 shifts” policy. A portion of the reduced working hours were used for education and training. Due to the new policy, the company was initially burdened with increased cost of educational training and preserving wage cuts for the workers. However, the labor union responded with cooperating to enhance efficiency and operating 24 hours. Therefore, the cost was shared by both business and workers. With job sharing, Yuhan-Kimberly was able to overcome the Asian financial crisis without firing anyone. Its sales increased 212%, and net profit increased 628% in 5 years since the beginning of the crisis. The success story of Yuhan-Kimberly has triggered further studies and adoption of New Paradigm.

The success of Yuhan-Kimberly Korea has brought attention to the idea of New Paradigm from the business field. According to Ministry of Employment and Labor, more than 200 companies including POSCO, Candle 1978, Kolmar Korea, Lock & Lock, and Samjung P&A adopted the New Paradigm policy. All companies faced difficulties initiating the policy, but were soon rewarded with significantly enhanced productivity. Industrial disaster decreased by 25% and external claim decreased by 2.39% in the manufacturing sector and 80% in the service sector. With 5.61% annual increase in productivity, Gross profit of the companies increased by 6.88%, and the net profit increased by 26.6%. In order to promote New Paradigm policy by other companies, companies that applied New Paradigm have created New Paradigm Club led by Yuhan-Kimberly, POSCO, and KEPCO. The originator of New Paradigm, Moon Kook-hyun, established the New Paradigm Institute to promote human investment and employment opportunities. Therefore, a new movement in the business sector is emerging towards finding a win-win solution.

The process of New Paradigm is shown in the relationship between business and labor. The process begins with transformation of laborers through working hour adjustments and education. Once the transformation occurs, productivity increases lead to increased sales and profit. Portion of the benefits from the increased sales and profit is distributed to enhance the welfare of the workers. Workers, with improved income and welfare, will then participate in more constructive and cooperative relationship with businesses. This will then ensure a more secure employment for workers and simultaneously create new jobs in the existing workplace. Therefore, the cycle of the New Paradigm model in the micro perspective includes the following stages: (1) investment in human resources to transform workers; (2) positive outcome (increase in sales and profit due to enhanced productivity); (3) fair distribution of profit; (4) establishment of cooperative business-labor environment; (5) secure employment and providing new employment opportunities.

The basic result of the process is shown by the following picture. As shown on <Picture 8>, the reduction of excessive working hours allows new people to enter the workplace and improve the work-life balance for both the existing workers and new workers. Once life-long learning program is established at each workplace, productivity and efficiency of labor will increase as quality of workers improves significantly. This will make room for innovation to take place resulting in prosperity and more room for employment. The New Paradigm...
Institute and the National Assembly’s Special Committee for Job Creation have predicted that the 4 million new jobs can be created through universal implementation of New Paradigm. Since New Paradigm also transforms workers to become innovative and productive in workplace, the existing jobs and the newly created jobs will also be secure and safe jobs unlike the current exhausting temporary jobs.

The implementation of New Paradigm will also provide macroeconomic advantages. Newly created jobs by New Paradigm will lower unemployment and increase labor participation. This alleviates the severity of income polarization as more people are generating income. More people working with fewer working hours will also lower industrial disasters and provide more time for leisure. This allows people to balance between life and work which is necessary for social harmony. The overall process will enhance the domestic economy and improve national competitiveness.

B. Effects on Intellectual Capital

The application of New Paradigm not only creates new jobs but also has been proven to significantly increase the level of intellectual capital. According to Mirae Management Institute, the application of New Paradigm has achieved high level of intellectual capital accumulation. In terms of ‘business recipe,’ employment opportunities have increased from 7.69% to 57.4% and competitiveness of business, workers, intellectual capacity, ethical administration have increased from 13.73% to 69.64%, 7.69% to 78.57%, 13.21% to 89.29%, and 13.46% to 62.50% respectively. In terms of ‘human capital,’ creativity has increased from 10.91% to 64.29%. Attitudes changed significantly as absorption to innovation, sense of
ownership, and social responsibilities have increased from 7.27% to 66.07%, 14.29% to 60.71%, and 24.07% to 69.64% respectively. Work-life balance has increased from 5.36% to 48.21%. Regarding 'organizational capital,' the effectiveness of human resource management program in terms of content, time, budget, self-development, and career management have increased from 14.29% to 83.93%, 10.71% to 78.57%, 17.86% to 73.21%, 10.91% to 85.71%, and 7.27% to 62.50%. Communication among members, transparency of internal information, ethical administration, and trust has increased from 10.91% to 64.29%, 16.07% to 78.57%, and 22.22% to 66.07% respectively. In terms of 'relational capital,' trust from customers and business partners has increased from 31.48% to 69.64% and 40.74% to 71.43% respectively.

Such significant increase in intellectual capital suggests that transformation of workers and organization has been successful. Or ganization led by more educated workers with enhanced work-life balance provides positive effects on various areas of intellectual capital. Although such values may not appear as book value, the accumulation of intellectual capital will serve as the major source of competitiveness in the near future. As mentioned in the second chapter “II. Intellectual Capital,” 90% of Google’s value consists of intellectual capital. Nation-wide application of New Paradigm will allow Korean businesses to adopt more innovative management models with high intellectual capital as that of Google. This will lead to increased productivity which allows eliminating the devaluation of Korean firms and products known as the Korea Discount.

Such effect on intellectual capital and growth is sustainable since intellectual capital is not depreciable and is only accumulable. Once New Paradigm is successfully implemented, the competitiveness of companies will depend on the quality of the life-long learning program as higher quality of the program yields higher level of intellectual capital. The life-long learning program by companies will not succeed if the knowledge and intelligence provided in the program is inappropriate or obsolete. However, initial success of New Paradigm implementation will create the demand for more advanced knowledge by workers and allow self-development. Workers will acknowledge if the program is not effective or inappropriate leading to self-purifying process. Therefore, successful initiation of New Paradigm ensures sustainable accumulation of intelligence capital and growth.

C. Effects on Social Capital: Trust

As mentioned above, enhanced employment and education situation improves the level of trust in the society. Higher level of education through life-long learning programs and enhanced work-life balance through job sharing will reverse the downward spiral of plummeting trust. The current manual economy considers labor as a depreciable commodity. This leads to a downward spiral of (1) over-protective labor unions obsessed in maximizing short-term wages; (2) plummeting company loyalty; (3) less chance of innovation; (4) concentration on short-term profit by companies leading to further perception that labor is a depreciable commodity; and (5) proliferation of temporary workers.

As the cycle continues, social capital and trust diminishes which further incurs socio-economic cost. The implementation of New Paradigm increases the level of trust as businesses become more confident towards their workers’ productivity. Workers become more confident towards business as workers are no longer considered as depreciable commodity; instead, they are considered as partners playing their roles for constant innovation. Increased level of trust will reverse the relationship between business and labor into a more constructive relationship that will reduce the cost incurred by labor strikes and disputes which is approximately 2 trillion won(approximately 1.8 billion U.S. dollars). This also makes investment in Korea more confident in the eyes of foreign investors, thus,
eliminating Korea discount.

Accumulated social capital through New Paradigm will also further increase the level of trust among the members of the society which will result in social cohesion and harmony. Enhanced confidence and reinforced social virtues will decrease moral hazards and asymmetric information that plagues the market economy. Studies by Assicurazioni Generali shows that higher level of social capital yields lower possibilities of moral hazard. Studies by Giovanni Millo and Giacomo Pasini confirm that social capital reduces moral hazard. The reduction of moral hazard lowers the chance of market failure and attracts more investment as people feel more confident about the market system. Ultimately, sustainable prosperity can be achieved through such enhanced level of trust.

VI. Conclusion

The world socio-economic paradigm is shifting from the old manual economy to the new knowledge economy. Accumulation of intellectual capital and social capital is crucial in order to compete in the new knowledge economy. Inadequate work-life balance due to excessive working hours and lack of life-long learning at workplace has drained intellectual and social capital of Korea. Therefore, in order to resolve the issue and shift the Korean socio-economic paradigm to obtain sustainability, Korea must consider the implementation of New Paradigm which is a combination of job sharing and life-long learning at workplace. Reduction of excessive working hours and increased education will transform laborers into ‘knowledge workers.’ Increase opportunities for employment and innovation on which further accumulates intellectual and social capital.

Well-established life-long learning programs and enhanced work-life balance will transform the lives of the Korean people as shown on <Picture 9>. Human beings who were only considered as a depreciable commodity are currently overworking themselves in order to provide short-term profit to companies. Under this system, productivity continues to decrease along with the level of intelligence and social capital. With New Paradigm, work becomes a part of a person’s life which can be balanced with other important factors of prosperity such as health, family, learning, giving, self-realization, volunteerism, and leisure.

<Picture 9 – Human Transformation>
Human transformation through New Paradigm will also lead to socio-economic transformation as shown on <Picture 10>. The current manual economy provides 24 million unsafe jobs which consist of considerable number of temporary workers. After the nation-wide application of New Paradigm the previous jobs will transform into 28 million healthy sustainable jobs for Korean university graduates who have finished professional skills. The new jobs will have synergy effects with new industries such as social businesses and eco-friendly industries.

VII. Challenges

In order to implement New Paradigm, a certain level of trust must be reached. Businesses need to be confident that the workers are capable of positive transformation with fewer working hours. Workers should be able to trust the businesses to share a portion of the increased profit in compensation of the lost wages. Despite its advantages, the application of New Paradigm has been limited due to fear: (1) companies are unsure about whether increased productivity is worth the cost of more employees; (2) labor unions reject the idea of shared jobs since it reduces the income earned by working overtime; (3) policy makers are unable to pass legislations promoting New Paradigm fearing they might lose support from labor unions and business owners. Lack of trust also plays a crucial role; the level of distrust is so high that each side fears that the initiation of the new system will only serve the interest of the other side. Therefore, successful application will require ‘great social compromise’ among government, business, and labor sectors.

The ‘great social compromise’ is made by three actors: business, labor, and government. The three actors must interact and cooperate in order to produce the optimal outcome. The
compromise between business and labor includes: (1) establishing an appropriate shifting schedule and working hours; (2) establishing lifelong education programs to transform workers; (3) guaranteeing fair personal management systems; and (4) negotiating fair distribution of profits. In order to promote laborers to participate in the negotiation for adopting New Paradigm, policy makers can present legislation that restrict working hours to 2000 hours a year, mandate 100 hours of training and education, and transform temporary workers to regular workers. The government can also provide incentives for businesses by providing consultation and guidelines regarding New Paradigm, and tax benefits for the initial implementation cost.

Therefore, in order to achieve the compromise, all sectors will have to rebuild trust by making concessions. (1) Businesses, understanding that their investment on human capital will result in increased productivity, should guarantee that the wages or benefits of the pre-existing workers are not going to be reduced significantly. (2) Labor unions, understanding that less working hours would increase the quality of life, should be cooperative in allowing more employees in the production line. (3) Policy-makers, instead of shunning to admit ‘New Paradigm’ is neither a conservative nor a liberal policy, should be proactive in bringing businesses and labor unions on the table. The spread of successful case studies and legislative support will also facilitate the application in the near future. Therefore, while ‘New Paradigm’ serves as a formula for accumulating ‘trust,’ ‘trust’ serves as a prerequisite for the implementation of ‘New Paradigm.’ Once this cycle of accumulation is formed, the sustainability of future growth will be significantly enhanced.

VIII. Way Ahead

Improving work-life balance and lifelong learning is not only a Korean domestic issue. European countries with decreasing fertility rates and working age population seek to find ways to achieve greater social cohesion and eradicate poverty through active aging and high level of employment. According to former Prime Minister of Netherlands, Wim Kok, “European growth depends largely on having more people in the labour market, even though ageing makes the working population decline. To deliver this strategic objective, Europe needs to invest in a high-skilled labour force and to find the right balance between flexibility and security.” Therefore, the changing environment is attracting more attention towards intellectual and social capital accumulation.

Global leaders such as Wim Kok, and Moon Kook-hyun is currently preparing to propose ISO 38000 to the International Organization for Standardization (ISO) to replace the current ISO 26000. ISO 38000 is an upgraded version of ISO 26000 that includes international standards of work-life balance and lifelong learning. According to the two leaders, in 2011, workshop for the concept of ISO 38000 will take place around the world. In 2012, the proposal will be made which will be backed by the drafting committee that will be active from 2013 to 2015. Public hearing is planned to take place in 2016, and the final approval is aimed to be made in 2017.

Pursuing sustainability and prosperity through work-life balance and lifelong learning is becoming a global standard. An era of human-oriented and knowledge-based economy is emerging. Korea cannot compete to survive in the new socio-economic paradigm as long as it remains in its current manual economy. Creative innovation must take place in order to transform the Korean socio-economic paradigm to the new human-oriented knowledge economy. New Paradigm can serve as the key to reverse the current cycle of plummeting intelligence and social capital. Korea is currently at the crossroad. It must choose between the
path of remaining in the old paradigm manual economy or compete in the new world of knowledge economy.