

GSCI Spotlight

Korea: Competitiveness & Sustainability



Based on the Global Sustainable Competitiveness Index

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Foreword

Top in Innovation, bottom in resource management

Korea is ranked on the 41st position of the Global Sustainable Competitiveness Index 2016. The breakdown of results shows a very mixed picture: Korea is the global Number One in terms of Intellectual Capital (the basis for Innovation) – but at the same time, the last of 180 nations in terms of resource efficiency. A very *mixed bag*.

This report is divided in two parts. Part one analysis Korea's current status of competitiveness, while part two develops potential policies to ensure Korea's sustainable competitiveness going forward.

We hope you enjoy reading.

About SolAbility

SolAbility is an independent sustainable management consultancy and think-tank with presence in Korea and Switzerland.

SolAbility is the maker of 3 DJSI Super-Sector Leaders and the publisher of the Global Sustainable Competitiveness Index.

Three companies (Korea Telecom, GS Engineering & Construction, Lotte Shopping) that have implemented sustainability strategy and sustainable management tools developed by SolAbility have been recognised as Global Sustainable Leaders (DJSI Global Industry Leader; most sustainable company worldwide in their respective business field) through the Dow Jones World Sustainability Index.

About the Global Sustainable Competitiveness Index

The Global Sustainable Competitiveness Index (GSCI) analyses the competitiveness and sustainability of 180 countries based on quantitative indicators in the 5 core fields of sustainability – Natural Capital, Resource Intensity, Intellectual Capital, Governance Capital, and Social Capital. The GSCI is widely recognised as the most comprehensive country sustainability index.

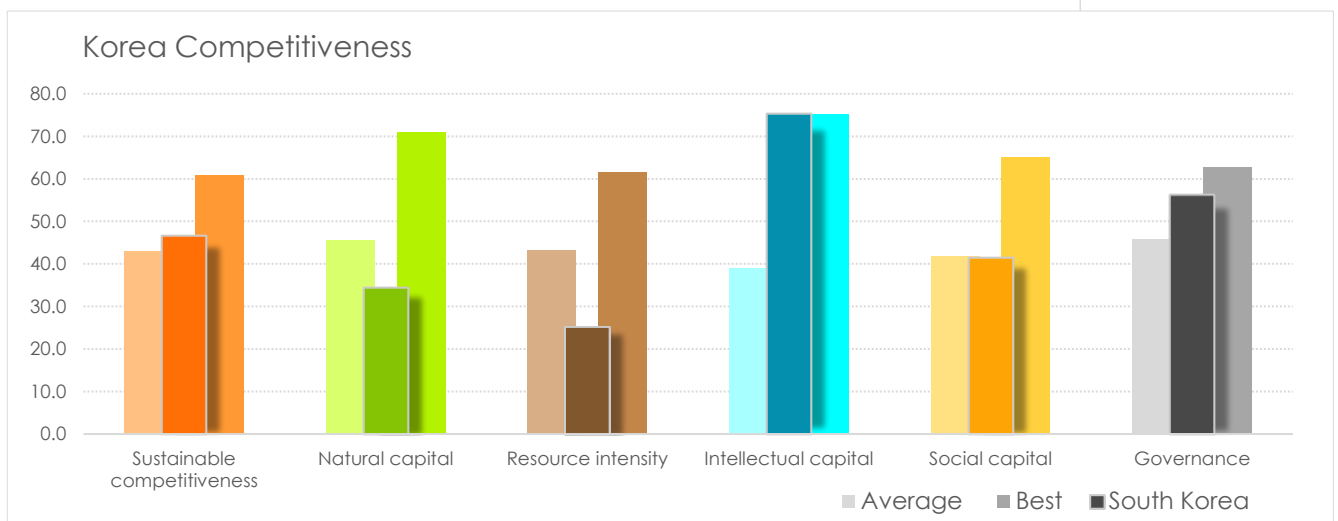


For further information – www.solability.com

1 Korea & Sustainable Competitiveness: Status

Summary: Korea currently ranks 40 of 180 nations

The [Global Sustainable Competitiveness Index \(GSCI\)](#) is based on 109 quantitative performance indicators, analysed for current performance and recent trends to anticipate the future performance. Korea currently ranks #40 of 180 nations in the GSCI, scoring only 5% above average, but more than 25% below the best. Korea's performance in this index is mixed: while Korea achieved the highest score globally in intellectual capital, it also scores lowest globally in resource intensity.



Where Korea is not in the top league

Korea's key deficits in each dimension are:

- **Natural capital**, rank 154: Korea is a comparable small country considering the size of the population, with a **limited area of arable land** – and no significant mineral resources to speak off. The high water withdrawal rate is a source of concern – potential **water scarcity** and efficiency are issues that need to be looked at urgently.
- **Resource intensity**, rank 180 of 180: Korea has a higher share of manufacturing and energy-intensive industries than most other countries. However – Korea uses significantly more energy, water, and raw materials than other economies to generate economic output. **High resource intensity is equal to higher cost** for the economy, and urgently needs to be addressed – especially given Korea's dependence on import of virtually all commodities and fossil energy.
- **Intellectual capital**, rank 1: Korea is doing well in the key area of innovation-driven competitiveness: education and R&D. However – maybe the country could benefit from a shift in focus from higher education to a more skills-based education system.
- **Governance**, rank 19: investments are at a high level and the infrastructure is modern. However, weak governance, and falling press freedom (from rank 31 to 70 in the last 10 years) are of concern
- **Social capital**, rank 65: while health care availability is guaranteed, the highest suicide rate in the World indicates some systemic social problems.

1.1 Natural Capital

Key Issues; Water, Arable Land

In geographical terms, Korea is a comparable small country considering the 50+ million population. Thanks to wet and warm summers, the county is fairly fertile. However, Korea has no mineral or fossil resources to speak of, making resource efficiency all the more important. A number of indicators that show good health – forest area for example (as percentage of total land) is at nearly 65% of all land, and has increased significantly following major deforestation until the 1960s. However, there are some critical issues that need to be addressed – better sooner than later.

- Water availability

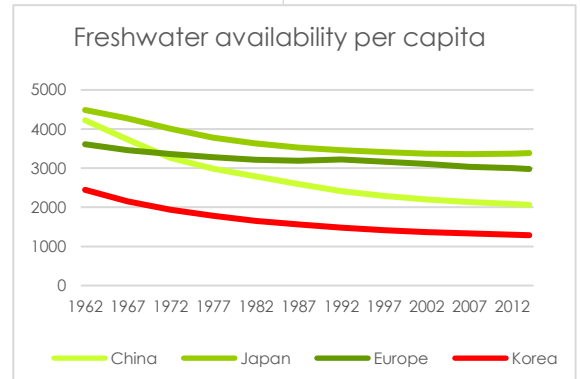
In the 1960s, Korea had double the amount of freshwater available per capita, and availability is still declining. However, what is more worrying than the already comparable low water availability is the freshwater withdrawal rate at nearly 50% of all available water – which is considerably higher than all developed countries, as well as China. This percentage falls in the definition of water stress as defined by the UN. Pollution of key water reservoirs and/or changing rain patterns due to climate change in such circumstances therefore would have devastating effects.

- Water purity

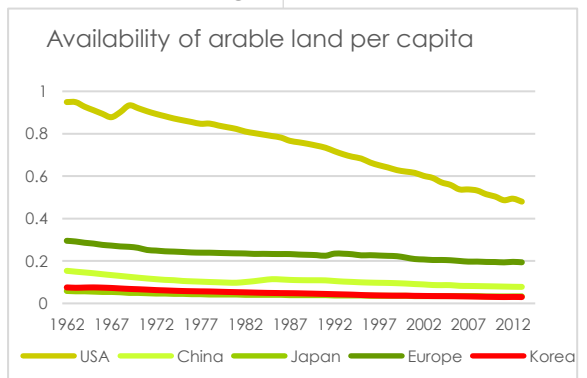
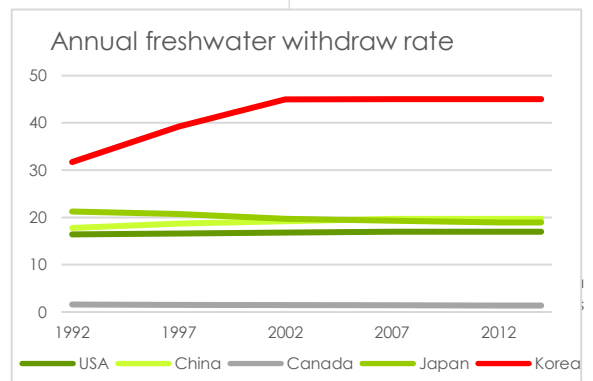
Due to the lack of a standardised indicator to measure water cleanliness on a national level, the GSCI cannot take into account water pollution. However, it is clear that the safety of freshwater is as important as its availability – and the water quality in some areas has been deteriorating. It is also suggested that fracking has a negative impact on groundwater quality – an issue that at least should be probed in light of expected increase of fracking activities. Regardless of political stance, and also regardless of the fact that in a few years' time, fracked fossil energy will not be competitive against renewable energy technologies.

- Agricultural land availability.

Korea is a small country by area, with a significant population. In addition, the country's geography with its many rugged hills and valleys is not favourable to agricultural activities. Available arable land is therefore limited in comparison to the population of the country. While fertility and agricultural yields are good, the limited availability of arable land is of concern and needs to be addressed by other means.



Availability of freshwater per capita declined by nearly 50% since the 1960s
Data source: World Bank



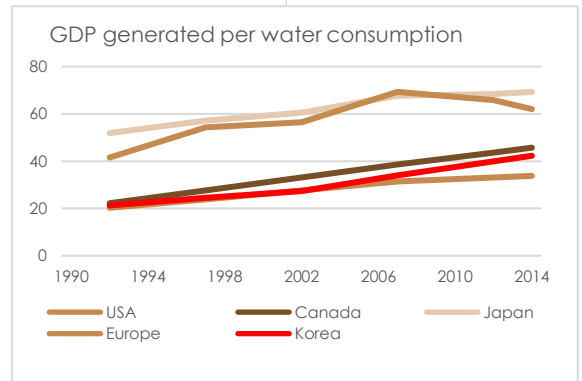
Available arable land is low
Data source: World Bank

1.2 Resource Intensity

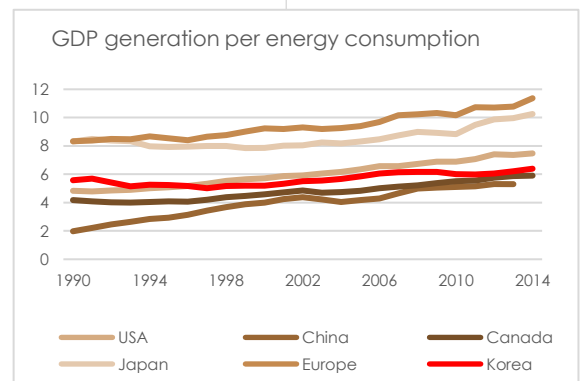
Korea occupies the last spot – 180 of 180 – in global [resource efficiency](#). The characteristics of the Korean economy with a wide industrial base and energy intensive sectors do explain some, but by far not all of this. Raw materials, water, energy and waste disposal: all these are costs. Financial costs. In other words: Korea has higher costs to achieve the same per economic output unit compared to other countries. Resource efficiency is a billion-dollar business. It is also money that is not available for other purposes.

- Water:** Korea's water efficiency is just a tad above Canada, below the US, and only half a dollar of GDP is generated with the amount of water that Europe or Japan generate a full dollar with. Water is cost, too.
- Energy.** Energy is definitely the main issue here: energy is cost. While energy efficiency has increased thanks to better technologies, Korea generates only half the economic output (aka: national wealth) with the same amount of energy compared to other leading economies, including Japan. This directly translates into cost: depending on the oil price, Korea is spending more than 12% of GDP (2008) for energy (calculated based on international raw process, i.e. the final energy consumption cost is even higher). That number has come down in 2014/15, but is set to increase again with global oil prices rising. Regardless of the oil price developments, other leading nations are spending half the percentage of GDP on energy. While it is unrealistic to achieve that efficiency levels very quickly, every percentage that energy efficiency is increased equals huge amounts of money – money that can be invested for other purposes. Basically, that is money lying on the streets.

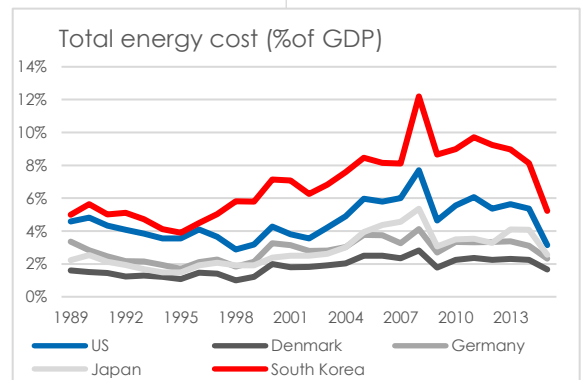
Renewable energy vs. fossil energy. Korea's share of renewable energy in the national energy mix is very, very low. This is particular worrying in 2 aspects: first, Korea's dependence on import for almost all of its energy needs and therefore the exposure of global energy prices; second, the associated costs. Wind electricity is now on par with coal-generated electricity. In ten years' time, wind and solar electricity will be the cheapest form of energy on this planet, while the cost of fuel and maintenance of nuclear and fossil-based energy installations will continue to rise. While other nations are actively pushing the transformation in their countries (Europe now sources nearly 25% of its electricity from renewable sources, and is investing heavily in more renewable capacity), Korea still lags far behind. As a result, Korea's businesses will have to pay higher costs for energy than their global competitors, thus negatively affecting the competitiveness of the Korean economy.



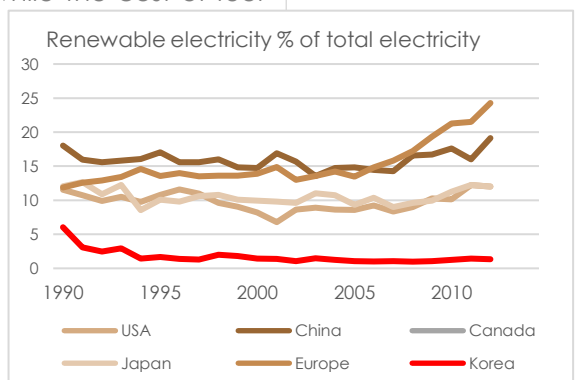
GDP generated per unit water
Data source: World Bank



GDP generated per unit energy
Data source: World Bank



Total energy cost
Data source: BP, IEA

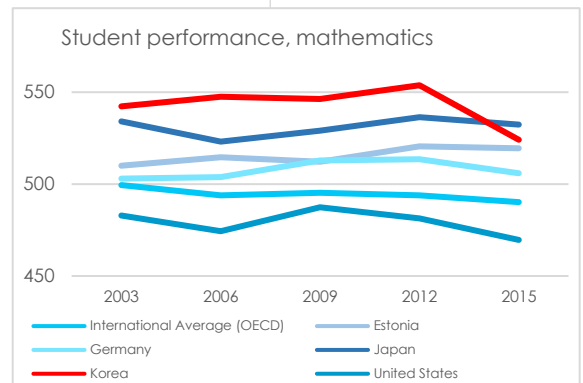


Share of renewable energy
Data source: World Bank

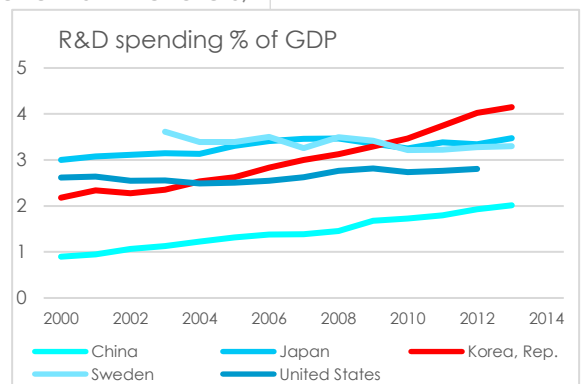
1.3 Intellectual Capital

Korea is the Number One in the [Intellectual Capital](#) ranking – by a considerable margin, even in relation to the second ranked country. All indicators – performance indicators – suggest that Korea is definitely prepared to compete globally in terms of innovation. However, quantitative indicators do have their limitations – there are areas in Koras education system that could surely be more efficient – qualitatively.

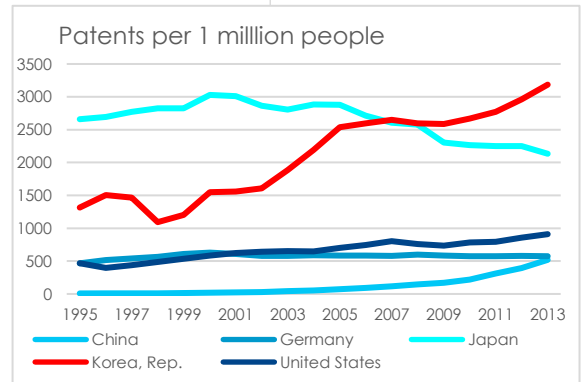
- Schools:** The importance of education is enshrined into the Korean culture – both publicly and private. The state provides schools, and the parents push their children. The combined effect is visible in all education-related indicators. Korean students regularly compete on the highest level globally. Today's students will be tomorrow's innovators, workers and managers. Korea is therefore well equipped to compete successfully on the global market, well into the future Like in every system, there are some cases that fall through the framework: Korea has also the World's highest teenage suicide rate.
- Research & Development:** Korea nearly doubled spending on research and development since 2000, is now above 4% of GDP, second only to Israel in the global context. A strategy that clearly pays off – Korean high-tech products are sold across the global and enjoy a very good reputation amongst global consumers. Korea also ranks first globally in terms of registered patents per capita - by a fairly large margin. The focus on education, research and development, both in the culture as well as the policy framework, put Korea in a good position to compete successfully in the innovation-driven global markets with value adding products and services.
- Tertiary education vs. vocational training:** More than 99% of Korean students directly enrol in some sort of tertiary (university level) education after high-school, up from 90% in 2000. While the importance of education cannot be underestimated, it is also true that not everybody can be a scientist, lawyer, doctor, or manager. Every economy needs a health balance in its workforce. Japan and Switzerland with a comparable low tertiary enrolment rate of below 50% show that innovation is not directly and not only related to the university enrolment rate. Every economy needs scientists, organisers and skilled workers - in each profession individually from the hairdresser to the construction worker. Vocational training is probably equally important as tertiary education, and it is probably safe to say that for many jobs hands-on skill acquisition would be more valuable than spending close to 20 years in a class-room education system.



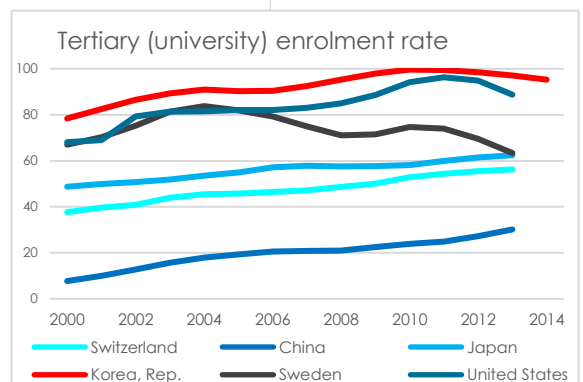
High-school student performance
Data source: OECD



Spending on R&D
Data source: World Bank



Registered patents
Data source: World Bank

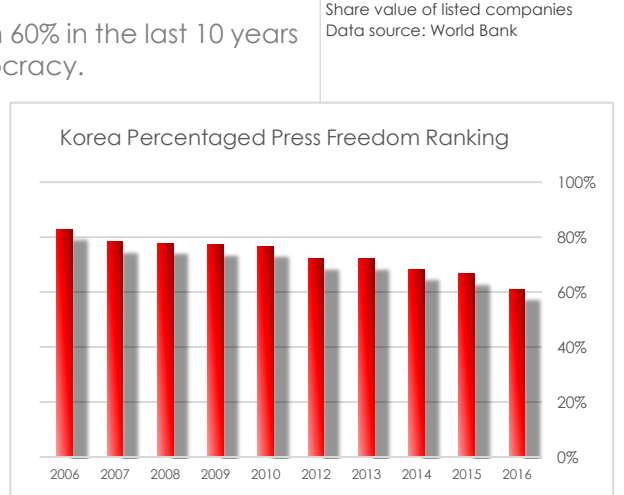
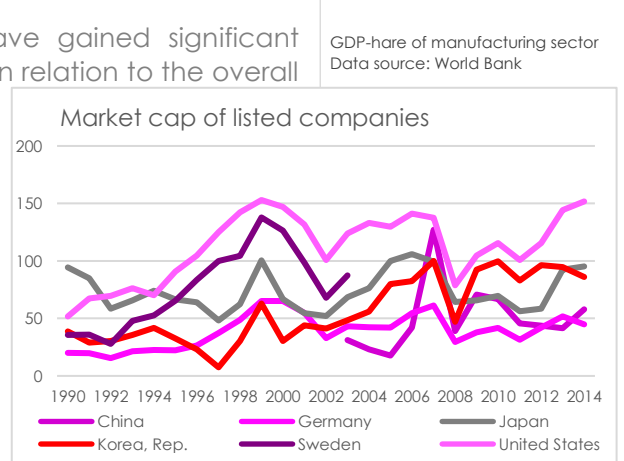
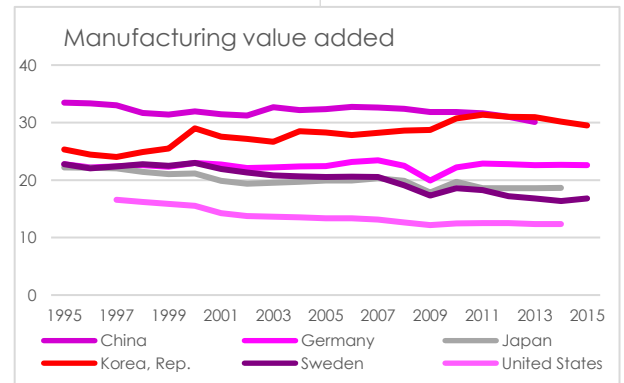
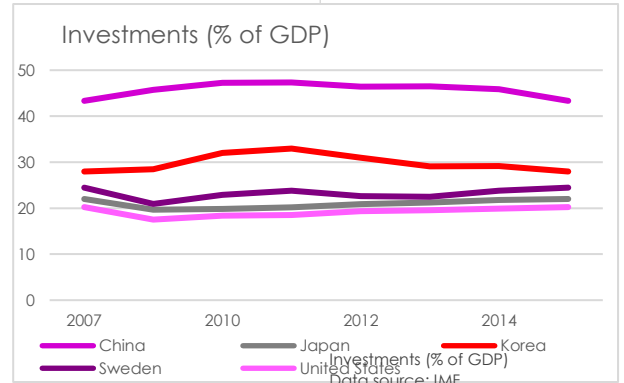


Tertiary enrolment rat
Data source: World Bank

1.4 Governance

Korea ranks number 19 in the [governance dimension](#) of the GSCI. Korea has high investment rate, and a solid industrial/manufacturing base. However, the size of (and fluctuations in) the financial market in comparison to the total economy is of concern to stability. The power wielded by the heirs of the chaebol founders through obscure company organisations also remains a source of instability. And: Korea has dropped from within the top 20% to below the bottom 60% in press freedom globally – a simply unacceptable fact

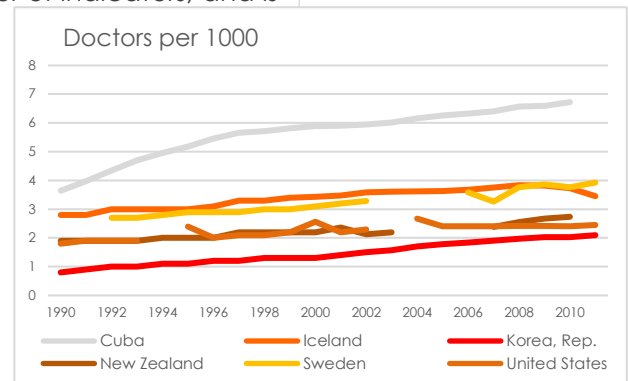
- Investments:** Korea has maintained a high investment rate throughout the financial crisis of 2007/2008, contrary to many OECD countries. The investments have helped the country avoid a major economic downturn, and the infrastructure is in a very good state. It is hoped that lessons of this success have been learnt and will be upheld into the future.
- Structure of the economy:** Korea has maintained a sound industrial and manufacturing base. Examples from Europe – in particular the UK – have shown that a high dependence on the service sector combined with a diminishing manufacturing sector is a source of instability. It is therefore highly important that Korea can keep a sound manufacturing sector.
- The financial markets:** The financial markets have gained significant importance in Korea, and is now globally leading in relation to the overall economy. However, Korea's big advantage is that the Korean equivalent of the Glass-Steagall Act (separating the credit and payment business from investment business) has not been dismantled as in many other countries with disastrous effects. It is hoped that the separation of banking business and the investment industry will be upheld.
- Press freedom:** press freedom in Korea has come under increasing pressure, with most main news broadcasters and newspapers firmly under direction of the Government and/or private owners closely befriended with the powerful. Korea has dropped from the top 20% to the bottom 60% in the last 10 years – that is simply not acceptable for a modern democracy.
- The Chaebols:** Obscure company structure still allow the heirs of the Chaebol founders to hold total control over large conglomerates, despite only owning very small percentages of said companies. It is this structure that makes miss-use of power for financial and political benefit possible, and also brings people to positions through birth for which they are not sufficiently capable.



1.5 Social Capital

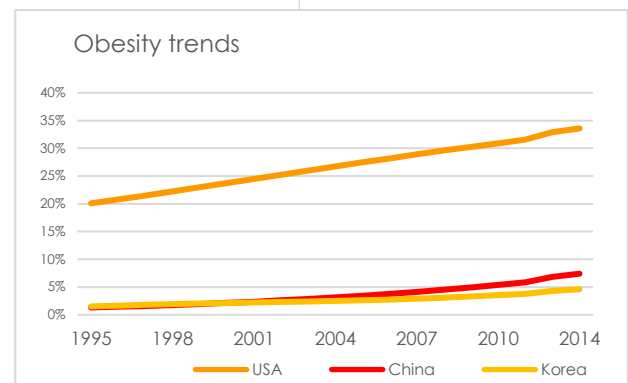
Korea ranks 65 of 180 in the [social capital](#) dimension of the GSCI. However, the margins at the top are small. Korea is doing well on a number of indicators, and is about to catch up on others, including health care. However, Korea has a high suicide rate, indicating a lot of social pressure. In addition, Korea – like most developing country – is facing an over-aging crisis in the mid-term future.

- Health care:** the health care sector indicators show what that Korea has only recently become a highly developed country. While Korea has a modern health care system (even attracting health care tourism in terms of plastic surgery), it is still lagging somewhat behind the mature OECD nations in terms of availability of health care services (doctors and hospital beds per 100 inhabitants). However, Korea seems to be catching up on these indicators. A new trend is also reaching Korea: increasing obesity. While the levels of over-weight is nowhere near the levels of the US or the UK, the percentage of obese individuals has nearly quadrupled from 2% to 7.5% since 1990.



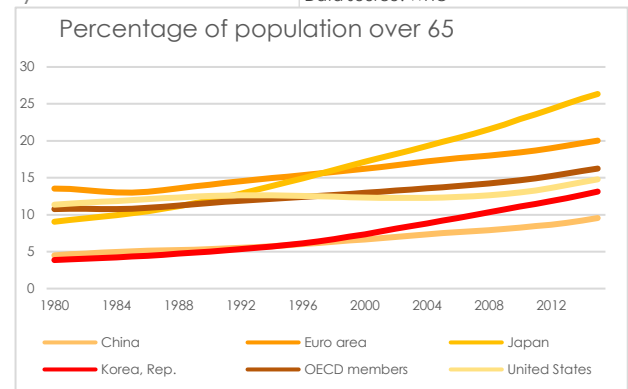
Availability of doctors (per 1000 pl)
Data source: World Bank

- Welath equality & social hapiness:** reputation – whether perceived or real – is highly important in the Korean society. The pressure to perform is therefore immense on workers. When people find themselves in desperate situations, in particularly financially desperate, Koreans often choose the exit (suicide) way.



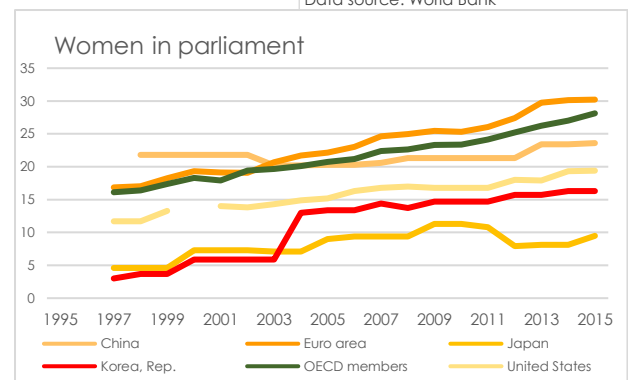
Obesity trends
Data source: WHO

- Agging society:** Korea has gone from a large-family culture to a two-child society in the space of less than 40 years. Combined with improved health care services, this is leading to an over-aged population. While the population over 65 years old is still comparable small, these percentage is expected to rise significantly in the near future. To counter the changing demographics, Korea needs to examine opportunities to use the freed up human capacities of the elderly, and adjust the pension systems.



Population over 65
Data source: World Bank

- Gender:** Korea is traditionally a man-dominated culture, and top-positions in administration and businesses largely remain a male domain. Female capacities remain an under-tapped and significant resource of the country.



2 Improving Korea's Sustainable Competitiveness

Korea is currently ranked 41 on the [Global Sustainable Competitiveness Index](#), with very mixed results in the different areas of sustainable competitiveness: global top in intellectual capital (innovation capabilities), but at the same time global last in resource intensity. Development is a never-ending process, and policy decisions made today will affect success in the future. In the light of a fast-changing political and technologically changing global environment, Korea therefore has to stay on the forefront of developments in order to maintain and hopefully improve sustainable competitiveness - including in areas where it is currently leading the global rankings. A fast changing global environment and uncertainties regarding future developments represent challenges to any country. However – challenges are opportunities. Preparation for challenges allows to reap the opportunities. Key areas for a **National Sustainable Competitiveness Plan** include:

- **Green Growth:** Developing a new green economy plan, correcting the flaws in the so-called green growth plan of 2008; focussing on renewable energy generation capacities (wind, small tidal) and technologies, redouble investments in electricity storage, and energy efficiency in the built environment, supported by adequate supporting policies, regulations, taxation, incentives and investments. Korea needs to get rid of foreign fossil energy dependence and ensure its share in the future renewable energy market that is about to replace the fossil industry
- **The Chaebols:** Break the birth power of the heirs of the chaebols founders, returning the Chaebols from private kingdoms back to the owners and into viable economic entities, thereby also reducing the main source of political corruption
- **Independent Press:** Ensuring independent press by transforming the semi-state broadcasting and news channels under independent oversight free of political interference from all sides
- **Education:** Ensuring the quality of education while lifting the reputation of vocational training as a viable alternative to high-school and university education to increase both innovation and quality of "Made/Invented in Korea"
- **Innovation:** Ensuring innovation remains a key priority of Korean businesses and a core element of the country culture through adequate policies, guidance, and platform provision
- **Artificial Intelligence:** Preparing students, the workforce and the economy to reap the benefit of increased automatization, digitalisation, and artificial intelligence
- **Wealth equality:** Ensuring that the wealth gap between capital owners and high-paid employees in large companies on one hand and employees in SME's is not getting out of hand through adequate policies and salary regulations
- **Aging Society:** Developing a framework to use all resources and capabilities of the coming aging society allowing all age groups a life in decency

2.1 Natural Capital: Challenges & Opportunities

Korea's biggest [challenges with respect to Natural Capital](#) are related to water availability, the limitation in availability of arable land, and the lack of domestic mineral and fossil resources. While Natural Capital as such is a more or less given environment that cannot be changed, the usage can be managed to achieve higher sustainable competitiveness through awareness raising, policies and tariff systems, and creating a framework that fosters relevant technologies.

Water scarcity

Water issues can be divided into three categories: water availability, water use, and water safety. They can be addressed through awareness, policies, and technology.

- **Awareness raising:** Few Koreans seem to be aware that their country is, in technical terms, on a situation of "water stress" (defined by the freshwater withdrawal rate, which stands at nearly 50% in Korea). Changing perception and awareness is the first step to increasing water efficiency and reduce water consumption.
- **Pricing:** change the water tariff system to a progressive scale, whereby prices increase the more water is consumed, thereby increasing incentives for saving water
- **Technology: smart technologies** can help reduce water consumption both in households and the industry. **Water efficiency technology** is a growth field and can generate new business opportunities and jobs.
- **Increasing water availability:** Freshwater availability is defined by climatic patterns and the existence of natural aquifers and cannot be changed (other than through ensuring a healthy vegetation that prevents erosion and facilitates absorption & storage water). However – through **desalination technology** freshwater can be gained from seawater; in light of increasing global water scarcity another field with high growth potential.
- **Water safety:** given the high water withdrawal rate, any pollution of water ways and aquifers have a higher impact on water safety in Korea than most other countries, It is therefore paramount that waste-water treatment

Availability of arable land

Korea's land area in Korea is limited, and covered with rugged and steep hills not favouring agricultural activities. Arable land can therefore not easily be expanded. In order to guarantee food security and increase yield for a growing population, smart and sustainable methodologies need to be applied. Luckily, agriculture is developing, not only in terms of application of smart technologies, but also in terms of new system thinking. Korea needs to establish a framework that enables and facilitates innovative new sustainable agricultural forms such as vertical agriculture, aquaponics (the combination of fish and vegetable cultures), permaculture and other integrated systems that generate sustainable, high-yield agricultural output.

Lack of domestic commodities

Unfortunately, there is nothing that can be done to increase domestic supply of mineral & fossil resources. That is why resource efficiency is of paramount importance in Korea.

2.2 Resource Efficiency: Challenges & Opportunities

Korea occupies the last spot of 180 countries in the resource efficiency sub-index of the GSCI. The Last. The [major issues in resource efficiency](#) are energy-related issues (which also link to GHG emissions). More than 50% of Korea's primary energy use are absorbed by businesses; a proportion higher than in most other countries. Which is why the both reducing energy consumption and the provision of inexpensive energy is of high importance to the Korean economy into the future. The challenges are therefore to reduce energy consumption, and to provide cheaper alternatives to the existing fossil and nuclear based energy system of the country. Economic necessities will sooner or later automatically drive Korea to cheaper renewable energy systems, but the transformation process can be fast-tracked through a set of appropriate policies and economic incentives. Korea is already strong in certain areas, such as electricity storage (battery technology), and smart remote technologies, but far behind in some key areas, such as wind power, construction energy efficiency, and most importantly, generation of renewable energy. Most likely it would be advisable to adapt a second phase of the countries "green growth" plan, originally adapted in 2009. Some key elements of such a plan should include

- **Electricity tariff systems:** Korea has known a regressive electricity tariff systems for decades, whereby the unit of electricity is becoming cheaper the more electricity is consumed, resulting in little incentive for large consumers to save energy, and second, that large consumers (businesses) are subsidised by the small consumers (households). In order to increase incentives to save energy, the regressive tariff system has to be abolished.
- **Energy efficiency in the built environment:** Korea is cold in winter, and hot in summer. Yet, building insulation standards and supporting elements such as automatic outside shading and insulating (winter) do not reflect Koras standards of development in other technology aspects. Given that the first 30% energy savings in the built environment normally have a pay-back period of less than 2 years, this is shambolic. Korea needs new standards for building insulations, and an infrastructure program to upgrade the existing built environment.
- **Renewable energy generation:** Korea is far behind the leading nations in terms of actual generation of renewable energy, which, given Korea's dependence on importing its energy needs, is simply irresponsible. Korea needs a massive program to install renewable energy capacity, coupled with storage systems. Solar systems can be installed on existing structures and new structures, and there is a huge untapped potential for **Wind energy:** the 2008 "green growth" plan is strong on some key technologies (in particular solar energy and energy storage), but completely lacks mentioning of wind energy technologies, currently the cheapest source of electricity. Now, 9 years later, Korea is far behind the leading wind developers, both in terms of installed wind generation and technology capabilities - and the domestic wind power industry is diminutive. Korea needs incentives and investments in a domestic wind industry, and large-scale installations of wind energy farms, both on and off-shore.
- **Energy storage:** with solar and wind electricity becoming fast the cheapest form of energy on the planet, electricity storage is a huge future business opportunity. It is therefore advisable to re-double existing efforts to be on the forefront of this new economic model.

2.3 Intellectual Capital: Challenges & Opportunities

Korea is the only country in Asia with an easy-to-learn alphabet, introduced by King Sejong in the 15th century. He introduced the alphabet so that “the common people” could read and write, and get education. The importance of education is in the DNA of Koreans, and that is a major contributing factor to Korea being the Number One in the [Intellectual Capital](#) ranking of the GSCI. While it is strongly hoped that some key elements – such as high and rising investment in R&D (and the resulting high number of registered patents) are to continue into the future, the Korean education system is not free of opportunities to improve. For example regarding the high burden on students to perform and the lack of free time; or the over-focus on tertiary university education as opposed to vocational training an apprenticeship-style acquisition of real-life, work-related skills.

Korea adapted the Anglo-Saxon education system whereby everybody goes to high school (12 years), and then college and/or university as opposed to education systems with 9 mandatory school years followed by either vocational job-related training or high school and then university. Higher education is mostly private (i.e. for-profit). This approach has several negative side effects:

- Because everybody goes to university, only degrees from the well-reputed universities guarantee good jobs.
- Admission to the good universities is based on high school performance. Pressure on youngsters to perform is therefore huge, both culturally and within the family. International comparison shows the lowest teenage happiness and the World's highest teenage suicide rate.
- While Korean students regularly come out in top of the international PISA rankings, Korean students also spend significantly more time in education than pupils in other countries.
- Higher education is mostly private, i.e. a university degree puts a high financial burden on students (or their parents, as is mostly the case in Korea)
- Looking at the needs of the economy as a whole, it is questionable whether everybody has to spend 12 years in school. Maybe some of these years could be more efficiently used to learn real-life practical skills related to a particular job – be that office work, or particular technical skills.

It is therefore recommendable to examine ways to improve the system in the light of the changing work environment (automatization, digitalisation) in a way that reduces the mental burden on students, the financial burden on the parents, while keeping the quality of education. In particular, it is recommended to improve the quality and reputation of vocational training as opposed to university education. Changing a privatised education system (tertiary education) is a long and complicated process. Nevertheless, it is recommended to examine possibilities to integrated higher education in the state domain to ease the financial burden of tertiary education.

2.4 Governance: Challenges & Opportunities

Korea is doing well in some aspects of the [Governance section](#) – investment rate, state of infrastructure, and has a healthy balance between service and manufacturing sector. However - there is the one big issue in Korea – how to handle the Chaebols? The large conglomerates have been the backbone of Korea's rapid development over the past 40 years, but now have become the stumbling block to Korea's further development and elevation. Virtually all major conglomerates have been hit by scandals involving bribery, personal enrichment and insistence of total control by the heirs of the founders. The financial power and the chaebols importance to the economy also have given the founding families inadequate power and influence in the countries politics.

- **The Chaebols:** in order to guarantee the interference-free development of the Korean economy AND the Chaebols, the power and total control of the heirs of company founders (who exercise total control over huge corporate empires despite only actually owning only a fraction) needs to be cut. This can be achieved through a series of measurements – e.g. restrictions on cross-ownerships of companies, abolition of preferred shares (shares that have more voting rights than others), stricter inheritance regulations on shares, and others. It also needs a more just justice systems – in the past, all Chaebol family members have been pardoned almost immediately for violations of laws for which ordinary citizens would spend decades in jail. However, since the heirs are still in control and can exercise vast financial power, any regulation affecting the control of the Chaebols will not go down without a fight.
- **Freedom of press:** Koreas main broadcasting channels are either semi-stated controlled or in the hands of a few families aligned and befriended with the Chaebol class. Korea needs to establish bi-partisan independent oversight and a process to select the management (e.g. similar to the BBC structure) of the semi-state broadcasting a news agencies so that they report free of political interference.
- **Corruption:** unfortunately, corruption in several forms is still fairly common in Korea – especially amongst the powerful and in the public sphere related to the awarding of lucrative contracts. A system needs to be established that not only protects but also encourages whistle-blowers, especially in official roles.

2.5 Social Capital: Challenges & Opportunities

Some issues in the [social pillar](#) of the GSCI are a matter of time (catching up with the availability of health care, e.g.), some issues require some sort of cultural change (gender issues, the importance of money as status factor), and still other issues require political will (inequality, aging society) to tackle.

- **Health care:** The availability of health care is expected to increase and evolve over time, completing the catch-up the most advanced nations. However, with increasing living standard, lifestyle diseases including obesity are set to increase.
- **Gender issues:** the grown fabric of a culture is difficult to re-weave. Korea has traditionally been a society dominated by men, at least as far as the eye reaches: important positions in public administration and business are almost exclusively a male domain. On the other side, women traditionally are the masters of the house, including managing the money. There are signs that the new generation is setting about to slowly change this patterns, with young women more emphasising careers and men overtaking a bit more housework. This is a slow processes and might take an entire generation (if not two) to complete, but it will ultimately benefit both sexes as well as the wider society. The framework required – pre-school and after school child care systems to allow for these schemes to take root are already in place.
- **Inequality:** the Gini coefficient and other indicator measuring wealth equality for Korea are within the average of OECD economies; however, inequality is growing in Korea as in most other countries. The gap between the capital owners and the employees of the large chaebols on the one hand and the rest of the population is growing – a process that accelerates in itself as history has shown times and again. Korea needs policies to counter this development to keep social peace on the long term; be that through salary regulations, taxing, clear inheritance laws, or provision of top education for the financially weaker groups of society
- **Aging society:** Korea has gone from a large-family culture to a two-kid society in the space of less than 40 years. While the aging population is not yet as large as in countries like Japan (30% of the population over 65), it will be in less than 20 years if current trends are to continue – affecting society and the economy alike. Korea therefore needs to develop policies that retain skill, talent and experience in the economy, while at the same time improving the current pension system to allow all age groups of society a life in decency.



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