

PART II  
*Chapter 9*

**Korea: Proposal for a New Type of Partnership**

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Macroeconomic policy challenges that range from economic growth and unemployment to inflation and social polarisation issues call for a dynamic and healthy labour market. Job-skill mismatch in the changing economic environment can be minimised by building an economic and social system that provides equal opportunity to nurture “knowledge workers” and improve job skills, and by creating a Learning and Job Information Centre (LJIC) to reduce asymmetric information flow in both the labour market and the education sectors. Regional Economic and Social Advancement Partnerships (RESAP) should be designed to develop human resources in a knowledge economy.

## Introduction

The importance of human resource development is gaining ever wider acceptance from both scholars and the general public as transition to “knowledge economy” becomes more and more evident (OECD, 2000). Thomas A. Kochan (2005, p. 6) stresses that human capital is becoming the most valuable resource and strategic asset for any nation or company that wishes to compete in a global marketplace while offering high standards of living.

A. Marshall wrote earlier (1920) that “the most valuable investment anyone can make is investing on human resource”. Taking Marshall’s lead, labour economists such as J. Mincer (1958), G.S. Becker (1962) and T.W. Schultz (1960) all contributed to develop the human capital theory in the late 1950s and undertook scientific analysis in areas such as training and education as a form of investment in human resources as well as return on investment. P.B. Doeringer and M.J. Piore (1971), on the other hand, have emphasised the importance of accumulating firm-specific skills through in-house education and training (on-the-job training) in their internal labour market theory. L. and Z. Nadler (1989) define “human resource development” as an organised learning experience provided by the employer for a determined period of time for the purpose of improving work progress and individual growth. Most scholars discuss human resource development in terms of its educational and training aspects aimed at improving the job skills of employees.

We need a new paradigm about human resource development in a knowledge economy. We should focus not only on education and training but also on the development of *knowledge workforce* and *vocational ability* in a knowledge economy. A knowledge worker can be defined as someone who has the ability to create new knowledge and information by collecting, analysing and processing the knowledge and information available. New knowledge and information can be generated by integrating and fusing various kinds of experiences, ideas and explicit and tacit knowledge. Although not everyone might be a knowledge worker, everyone has the potential to become one through “humanware”, regardless of education levels and occupations. According to the Production, Distribution, and Rule-making (PDR) System Theory (Lee, 1996, 2001), a knowledge workforce could be developed by humanware that transforms human resources into creative resources by activating the positive mechanism between the mind-set and one’s abilities.<sup>1</sup>

Vocational ability does not merely refer to knowledge and job skills; it also encompasses other abilities such as the ability to function in a group, co-operativeness, communication skills, vocational ethics, a healthy job attitude, a sense of adventure and leadership. This is an ability that is required of those in the manufacturing, clerical, technical, professional and self-employed sectors regardless of whether they work in the knowledge-based economy or industrial society.

Vocational ability determines not only personal job competitiveness and quality of life, but also the competitiveness of the organisation he or she works for. In order to secure a decent job, one must be armed with the vocational ability that job demands. Anyone who loses their competitiveness in this society of ongoing change is all the more likely to become unemployed. Universities, companies, regional economies and nations can maintain their competitive advantage only with a workforce with a high degree of vocational ability and knowledge.

That vocational ability will differ from person to person and from job to job. The ability that a given job requires constantly changes amid the changing economic environment and technological advances. As such, the importance of human resource development cannot be overemphasised. Naturally, that importance is highlighted as economies integrate into the global market and move to the knowledge economy. As can be readily observed, the acceleration of competition and technological changes are causing the destruction of traditional jobs and the creation of new ones. The combination of that creation/destruction and changing vocational requirements in effect forces everyone to constantly develop their vocational ability and learn new knowledge.

We need an infrastructure for developing the “knowledge workforce”, “vocational ability” and “regional knowledge competitiveness”. Regional knowledge competitiveness is defined as a regional social capital to produce, diffuse and utilise new knowledge and high-value information in a given area. With high regional knowledge competitiveness, a region has a competitive advantage for both persons and companies to acquire knowledge and information; the cost of doing so is low because of positive externalities and the high interaction effect, and because of fluent tacit knowledge in the area.

## **The changing economic environment and a paradigm shift in economic policies**

Korea is in the midst of a transition from an industrial to a knowledge economy, and is moving on to a global market and an ageing society. Economic policies and competition strategies therefore also need to change in a fundamental way to keep up with the changing environments. Table 9.1 summarises a new paradigm in economic policies that reflect such needs.

Table 9.1. **Paradigm shift in economic policies**

	New paradigm	Old paradigm
Economic environment	<ul style="list-style-type: none"> <li>• Knowledge information society</li> <li>• Global market: competition and speed</li> <li>• Ageing society</li> </ul>	<ul style="list-style-type: none"> <li>• Industrial society</li> <li>• National market</li> <li>• Young generation society</li> </ul>
Economic policies and competition Strategies	<ul style="list-style-type: none"> <li>• Focus on labour market policy</li> <li>• Decentralisation</li> <li>• Competitive advantage strategy: knowledge competitiveness, speed</li> <li>• Flexible production system (networking and partnership)</li> <li>• Quality competition strategies</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on macroeconomic policy</li> <li>• Centralisation</li> <li>• Comparative advantage strategy: factor cost competitiveness</li> <li>• Mass production system (economy of scale and division of labour of process)</li> <li>• Price competition strategies</li> </ul>
Labour market and social policy	<ul style="list-style-type: none"> <li>• Dynamic and healthy labour market</li> <li>• Job creation policy</li> <li>• Partnership between school and work</li> <li>• Workfare policy</li> <li>• Learning and Job Information Centre (LJIC)</li> <li>• High-road strategies</li> </ul>	<ul style="list-style-type: none"> <li>• Rigid-flexible labour market</li> <li>• Unemployment policy</li> <li>• Supplier-centric policy</li> <li>• Welfare policy on social security fund</li> <li>• Employment Security Centre</li> <li>• Low-road strategies</li> </ul>
Human resource development policy	<ul style="list-style-type: none"> <li>• Fostering of knowledge workers</li> <li>• Driving concept: Everyone in their productive age</li> <li>• Developing overall vocational ability</li> <li>• Regional initiatives and partnership (partnership between regional and central gov'ts)</li> <li>• Universities, colleges and training institutions</li> </ul>	<ul style="list-style-type: none"> <li>• Nurturing of technical manpower</li> <li>• Driving concept: Employees and unemployed</li> <li>• Equivalent to skill training</li> <li>• Central gov't initiatives (top-down system, orders, regulations)</li> <li>• Vocational training institutions</li> </ul>
Expected results	<ul style="list-style-type: none"> <li>• High-skill equilibrium economy</li> </ul>	<ul style="list-style-type: none"> <li>• Low-skill equilibrium economy</li> </ul>

Source: Author.

First, the rising information society is causing fundamental changes in the very DNA of industry and principles of competition. Knowledge and IT convergence industries are rapidly growing while companies failing to adapt to these changes are quickly losing their competitive edge. The economic order itself – from production and distribution to logistics and consumption – is changing.

Second, in the industrialised society it was possible to protect and foster infant industries as markets were separated by tariff and non-tariff barriers. But as the IT revolution is under way and the WTO is increasingly liberating trade, individual national markets are quickly consolidating into one global market. As fierce competition builds, speed and flexibility as well as low prices and high quality are regarded as fundamental.

Third, the rapid transition to the ageing society gives rise to fundamental changes in the supply and demand structure of the economy. If a new approach to meet these changes is not taken, the productivity and growth engines are bound to suffer and national economies will lose steam due to overwhelming social security expenses.

### ***From macroeconomic policies to DHLM-oriented policies***

In the industrial society period, traditional macroeconomic policies were prime tools but labour market policies were very limited in their ability to tackle macroeconomic challenges such as economic growth, unemployment and inflation. On the other hand, microeconomic policies to create a “dynamic and healthy labour market” (DHLM) are extremely important to face up to the macroeconomic challenges of a globalising knowledge economy.

At this point we need to embrace a new proposition, namely that knowledge workers and regional knowledge competitiveness will contribute to job creation in the knowledge economy. As a matter of fact, not only will these two factors contribute to constant innovation and improvement in productivity, but they will also help maintain the competitive advantage to incubate new businesses and attract foreign businesses. Constant innovation and competitive advantage will create jobs, promote economic growth, and alleviate inflationary pressures. This mechanism is the right way to tackle macroeconomic challenges in the global knowledge economy.

If these two factors are insufficient in a high-wage society like Korea, the nation will have a difficult time with knowledge-based industries that do not grow well and with labour-intensive industries moving to low-wage countries. In this situation, macroeconomic policies will not be very effective in preventing accelerated job destruction.

Vocational ability development for the aged will help create jobs for them, and so help forge a workfare rather than welfare society. Workfare policies are crucial in an ageing society, because they help minimise welfare costs and reduce the amount of fiscal budget earmarked for non-productive areas. This will in turn result in alleviating fiscal crunch and vitalising the economy.

Therefore, government should redistribute its resources to develop its knowledge workforce, vocational ability and regional knowledge competitiveness as a new strategy for national competitiveness. At the same time, it should adopt a dynamic and healthy labour market (DHLM) policy to minimise both job mismatches and skill mismatches.

### ***Shift from central government to regional governance initiatives***

In Korea, employment and human resource development have been led by central government initiatives, while local governments and their institutions simply implement them under the guidance of the central government.

As is well known, constant innovation and speed-enabling flexibility will act as critical strategies for enhancing national competitiveness in the global knowledge economy. However, the centralised top-down system is no longer adequate to secure regional innovation and flexibility (OECD, 2004).

Flexibility can be achieved when there is a culture of creation, participation and co-operation, and when the structure leading an idea to policy development, implementation and feedback is simple and clear. Therefore, the centralised top-down method must be replaced by regional governance initiatives. This means that regional governance initiates human resource development and local employment policies in partnership with each department of the central government.

### ***Change of strategy in corporate competition***

In the new economic climate, a new principle of competition has emerged. With the advance of a global market, all markets are being required to be equipped with flexibility and speed (Tolentino, 2002). Therefore, companies that maintain the traditional mass production system will inevitably lose their competitive edge. That system worked for the most competitive production seen in the 20th century. But the system suffers from lack of flexibility due to its pyramid structure and bureaucratic control methods. Furthermore, because it was based on the principles of division of work and specialisation, jobs were excessively isolated from each other and ideas too removed from their implementation. Under such a system, it was difficult to bring out innovation based on the values of creation, participation and co-operation.

A low-flexibility production system makes it difficult to swiftly respond to changes. Quick response to change in the global market is a basic survival strategy, and only those who lead change can create higher value. Therefore, companies must build a flexible production system, nurture a knowledge workforce based on labour-management and industry-academia partnerships, and create and make full use of a humanware system, vocational ability development, and innovation cluster.

## **RESAP model: Strategic choices for the knowledge economy**

### ***A new paradigm***

This chapter proposes the Regional Economic and Social Advancement Partnership (RESAP) model as a strategic choice for the global knowledge economy. RESAP contains three very important strategic components: national competition strategies led by regional governance initiatives; economic and social advances pursued simultaneously; and partnerships to carry out these tasks.

Regional governance initiatives are demanded in the new economic environment, because the growth engine of a nation will be revved up by a knowledge workforce and innovation cluster that can effectively work on a regional level. Economic advancement should be accompanied by social

cohesion. The RESAP should be built and operated by a partnership among the innovation leaders in the governance system.

The new paradigm's primary task is to build a Regional Human Resource Development (RHRD) cluster that promotes the development of a knowledge workforce and vocational competency at every stage of the life cycle. Vocational ability development systems for both innovation clusters and the marginalised need to be established based on such an RHRD cluster.

Once an innovation cluster that has international competitive advantage in knowledge and human resources is set in motion, jobs will naturally be created as regional businesses expand in size – helped by their competitiveness – and new companies are created and attracted. The establishment of a human resource development system for the marginalised will also contribute to alleviating social polarisation and strengthen social cohesion, as it will enable the marginalised to improve their quality of life through workfare.

Meanwhile, it is critical to have in place an information hub that can integrate both learning information – the supply side of the labour market – and job information, its demand side. To achieve this objective, the existing employment security centre needs to be expanded and reorganised into the Learning and Job Information Centre (LJIC). The purpose of LJIC is to deal effectively with all aspects of the labour market, from offering vocational ability tests (VAT) to learning and job information all under the same roof. End-users of the labour market can also make full use of this one-stop service system by being able to hire high-quality workers as needed and at a reasonable recruiting cost.

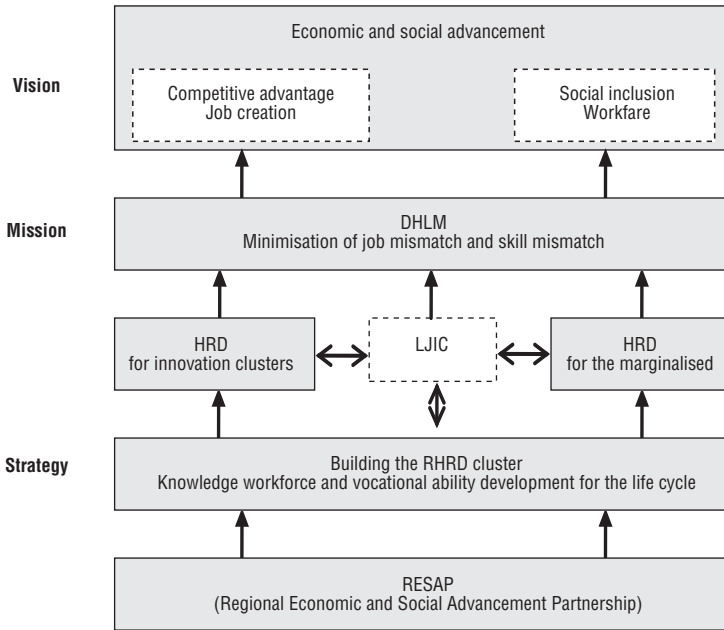
The LJIC will make it possible to reduce market failures such as job mismatch and skill mismatch caused by severely asymmetric information. LJIC will also maximise the integration and efficiency of the RHRD cluster and vocational ability development systems, and ultimately contribute to creating a dynamic and healthy labour market (DHLM).

Figure 9.1 summarises the vision and strategies for the knowledge-based economy.

### **Mission of RESAP: Building DHLM**

The core mission of RESAP is to achieve competitive advantage and social inclusion at the same time by creating a dynamic and healthy labour market (DHLM). The term “healthy labour market” has been used by London's Framework for Regional Employment and Skills Action (London Skills Commission, 2002); it is defined differently in this chapter. Here, DHLM refers to a labour market that quickly responds to changes in, *e.g.*, technology, industry and competition structures. More specifically, the DHLM is characterised by a labour market with a narrowed quantity gap (job

Figure 9.1. **RESAP model: Vision and strategies for the knowledge economy**



mismatch), a narrowed quality gap (skill mismatch), equality of access and opportunity, and the capacity to offer better jobs to workers. The characteristics of the DHLM are elucidated, from both the demand side and the supply side, in Table 9.2.

Table 9.2. **Characteristics of a dynamic and healthy labour market (DHLM)**

Demand side characteristics
<ul style="list-style-type: none"> <li>• Regional economies create decent jobs by expanding growth and knowledge based industries.</li> <li>• Regions foster a culture that values entrepreneurship and creativity.</li> <li>• Regions provide an investment friendly environment.</li> <li>• Regional companies make efforts to attain global competitiveness.</li> <li>• An environment of equal opportunity is nurtured enabling persons to display their potential.</li> </ul>
Supply side characteristics
<ul style="list-style-type: none"> <li>• Individuals, companies and regional societies highly value vocational ability development.</li> <li>• Regions run diverse vocational ability development institutions that are flexible, reliable and of high quality for students, workers and the unemployed.</li> <li>• Regions have universities that can foster and provide a high quality knowledge workforce.</li> <li>• The trainability, adaptability and employability of workers entering the labour market are very high.</li> <li>• There is an abundance of knowledge workers who can quickly respond to changes.</li> </ul>



The concept of the DHLM is fundamentally different from that of a flexible labour market (FLM). FLM places excessive emphasis on competition among businesses, and so corporate restructuring becomes a norm in the global market. However, the FLM policies ultimately exacerbated polarisation of the labour market and job insecurity by placing its focus on employment flexibility. Of course, employment flexibility can contribute to corporate competitiveness by labour cost reductions in the short term, but it weakens incentives for investing in education and training in the long run. That in turn makes it difficult to build and accumulate firm-specific skills and knowledge workers. As a result, low-skill equilibrium causes the growth engine of a nation to slow down.

By comparison, DHLM provides everyone with the opportunity to develop their vocational abilities based on a comprehensive, systematic human resource development system (HRDS) and extensive information network (LJIC). As it provides and nurtures a knowledge workforce, DHLM brings forward high-skill equilibrium as business achieves incremental innovation and competitive advantage. It also evaluates the job skills of the marginalised and provides them with job opportunities. Such opportunities minimise the polarisation of the labour market and greatly contribute to social cohesion.

In order to build a DHLM, the following two conditions must be satisfied. First, more people need to become knowledge workers and their respective vocational abilities must be improved accordingly. Second, an infrastructure must be built to overcome the serious problem of asymmetry of information in the labour and education markets.

### **Governance of the RESAP initiatives**

In order to realise RESAP, the Regional Economic and Social Advancement Board (RESAB) must be launched as its driving body. The governance system under which the DHLM is built is based on the principle of regional governance initiatives. RESAB should be built in provinces and in city and/or county areas.

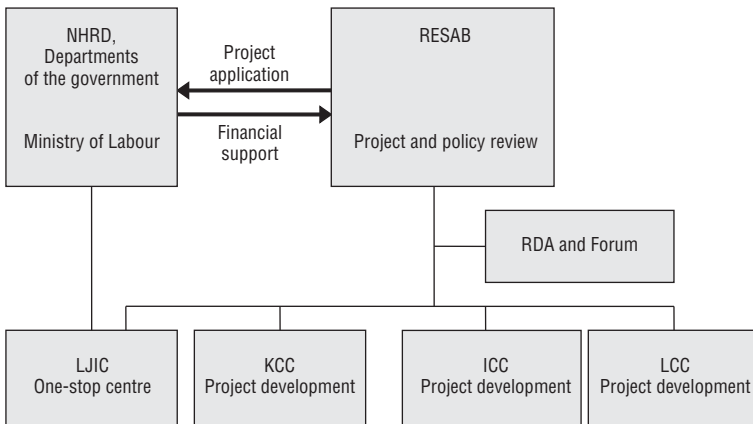
The RESAB of a province should be composed of variety of representatives such as governor, the chairperson of a university/junior college consortium, the president of the chamber of commerce, the president of the employer federation, the superintendent of education, the director of the labour office, a union leader, the director of the SME office and experts on the labour market.

The RESAB should also be supported by affiliated organisations such as the Knowledge Competitiveness Council (KCC), which will be in charge of building the RHRD cluster and the vocational ability development system for the life cycle, to enable lifelong learning on a regional basis. The Innovation

Table 9.3. **Functions of the RESAP organisation**

RESAP	Functions
RESAB	Deliberation of the agendas and policies submitted by the KCC, ICC and LCC. Horizontal partnership among the participants. Vertical partnership with relevant departments of the central government.
RDA and Forum	An administrative office of the RESAB including KCC, ICC and LCC. JHR (Job and Human Resource) Forum.
KCC	RHRD Cluster: Vertical and horizontal partnership for universities, junior colleges, training centre, high, middle and elemental schools. Local universities and knowledge competitiveness. Cultivating knowledge workforce and talent.
ICC	Design and administration of regional innovation cluster. Design and administration of sector council. Vocational ability development programme design for innovation cluster.
LCC	Design and promotion of learning city and lifelong learning programme. Vocational ability development programme design for the aged, women and the disabled. Formation of social capital.
LJIC	Information hub of the local labour market: Provide information about learning and vocational ability development programme, and provide job information. A talent bank and a job bank. One-stop services for jobseekers and firms. Provide the RESAB with information to make policies.

Figure 9.2. **Governance of RESAP: Regional initiatives**



Cluster Council (ICC) would develop and manage the sector council and the vocational ability development system per industry cluster based on the RHRD cluster in order to secure a growth engine for regional economies. The Learning Communities Council (LCC) would be in charge of developing and managing the vocational ability development system for the marginalised, in order to minimise social polarisation in regional society and to contribute to social cohesion.

The KCC, ICC and LCC would all develop their respective projects and policies while exploring methods on securing funds for policy implementation, and report to the RESAB. The RESAB would then make relevant requests to the central government for projects in need of government support. Then the central government would decide whether to support the project based on a thorough examination of its innovativeness and possibility of success.

The RESAB would also be supported by the Regional Development Agency (RDA) and the Job and Human Resource (JHR) Forum. The JHR Forum would be a place to exchange ideas and success cases, learn from each other, and form partnerships and social capital.

Cities and/or counties could launch their own RESAB and operate one-stop service centres of the LJIC and LCC. They could also operate an Innovation Cluster Committee (ICC) if necessary. Although cities would control their own RESAB, they may request that government and provinces help support projects through funding.

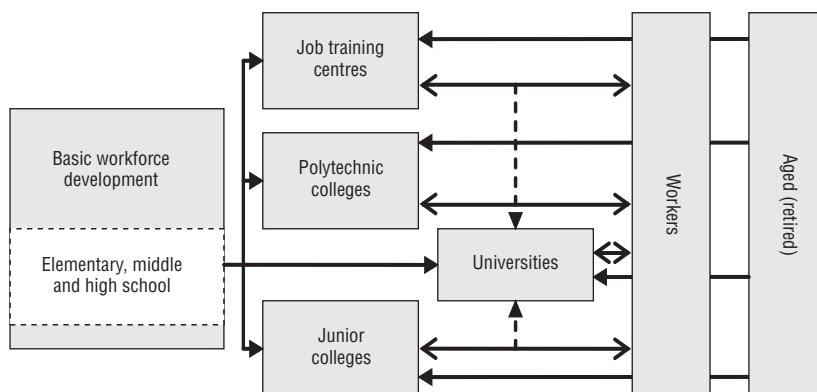
## **HRD per life cycle and strategies for knowledge workforce**

In this age, a person cannot expect to work in one job for their entire working life. Even the same job requires different vocational ability due to changes in economic climate and technological advances. This chapter has made it clear that to meet the new needs in the changing environment, everyone must develop their vocational ability continuously. This is the reason why we need a vocational ability development system for the entire life cycle, or a lifelong learning system (World Bank 2003; Hodgson, 2000).

While the vocational ability in demand obviously differs according to job types, even those working in the same field can have different vocational abilities. Therefore the method and time needed to develop vocational ability also vary from case to case. Some vocational abilities take little time to develop; others take longer.

This is why human resource development system should be divided into the life cycle phases shown in Figure 9.3. The first phase is the basic workforce development stage, where basic abilities required universally are developed. The second is the general training stage, where skills, technology and knowledge are developed. Third is the vocational ability upgrading stage, which enables workers to respond actively to the changing business climate and its implications in terms of new technology. The last stage is the new starting stage, where vocational ability is developed after retirement.

Figure 9.3 presents the basic process of human resources development per life cycle. First, build a co-operative network connecting schools and split the vertical roles of human resources development among high schools, colleges and universities. Second, set the direction of a co-operative network

Figure 9.3. **Four stages of human resource development for the life cycle**

and horizontal role-splitting to develop job skills of the technical workforce among job training institutions, junior colleges and polytechnic colleges.

Third, develop the course of an industry-academia co-operative system to expedite a school-to-work movement. Fourth, build an industry-academia cooperative system (work-to-school) to upgrade the job skills of workers. Fifth, build a role-splitting system for training institutions to develop the job skills of the retired.

### **RHRD cluster for knowledge competitiveness and knowledge workforce**

Nations are increasingly finding it difficult to directly support and incubate businesses or industries in the new global economic order symbolised by the WTO. Therefore they must devise a strategy to enhance the international competitive advantage of their industries and businesses by nurturing and providing a knowledge workforce through R&D or human resource development.

Recently the regional innovation cluster based on knowledge workforces has been recognised as a good way to develop regional economies. In order to effectively develop regional knowledge competitiveness, the RHRD cluster should be built on a regional basis. To this end, a vertical and horizontal partnership among schools needs to be built. There should also be a horizontal partnership between industry and academia.

The economic environment of the 21st century is seeing the creation of a number of jobs that demand vocational abilities in linguistics, mathematics and design, as well as team spirit and an ability to take on risks and challenges. The groundwork for these types of vocational abilities is best laid in high school or earlier. In order to develop a new curriculum and teaching

methodology, an integrated system of co-operation must be built through RHRD cluster-linking local high schools and universities.

Junior colleges in the region need to group together to form a junior college consortium (JCC) and establish a system of competition and collaboration under the shared goal of generating new cohorts of technicians able to compete in a world market. Membership would not be mandatory for all colleges, but the JCC would only accept selected junior colleges that have passed rigorous evaluation and have been approved by like-minded junior colleges that share in the mission and goals of JCC. Members must possess not only the will but also a concrete strategy to foster knowledge workers. Junior colleges must play a complementary and co-operative role with universities in order to build an RHRD cluster.

In order for local industry to build global competitiveness, the local universities must foster and supply a pool of globally competitive talents. It is very difficult for individual local universities to achieve a global competitive edge purely through their own discrete efforts. That is why a system of competition and co-operation between local universities that maximises each school's internal strengths must be established to encourage the specialisation of each school and explore ways to jointly utilise faculty and facilities. The RHRD cluster enhances regional knowledge competitiveness.

### **Importance of the innovation cluster and its HRD**

Clusters have been around a long time. But they only started receiving attention as a strategy for competitive advantage in the 1990s, following M.E. Porter's Diamond Model (1998). An innovation cluster is different from a conventional industry cluster. Since it is evident that the economic environment will continue to change and rivals will never stop seeking innovation, individuals, organisations or nations that do not innovate will lose their competitive edge. The innovation cluster is needed in order to spur innovation (Lundvall, 1992). It is here defined as our socioeconomic system's accumulative base for creative R&D capacity and the knowledge workforce, whose networking and partnerships will serve as a constant driving force for self-innovation. Innovation is born when diverse knowledge and information are fused together. The cluster will provide an enabling environment for that convergence. Consequently, innovation is the growth engine of the cluster, while the cluster allows innovation to flourish.

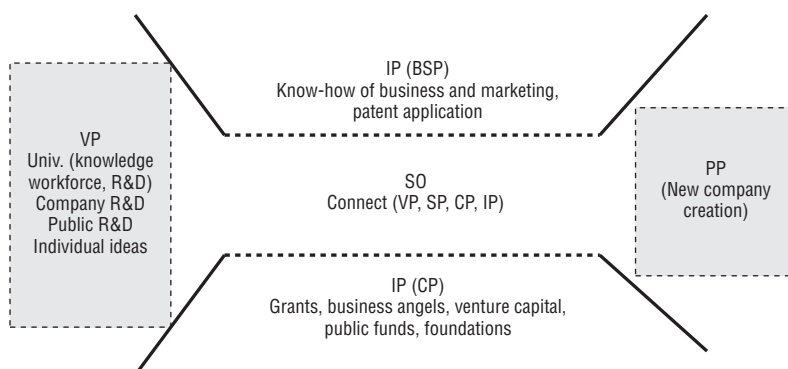
According to the author's GALIC Model (Lee, 2005), the innovation cluster is formed by all five elements working within one system – Governance, Actors' partnership, Localisation, Innovation milieu and Cluster convergence. Innovation clusters will be developed by different categories such as industries or regions. The innovation cluster's governance could be developed

Table 9.4. **The GALIC model for innovation clusters**

GALIC	Content and functions	Actors, basic principle	
<b>Governance (ICC)</b>	Governing organisation which establishes and executes vision/strategy/policy.	Networking and partnership univ., local gov't, core firms, etc.	
VP	Provide cluster vision, foster knowledge workforce, R&D provider (basic and source technology).	Univ., research institutes, other HR institutes.	
IP	Create innovation milieu, provide infrastructure to support VP and PP, provide management and legal services (SP), capital provider (CP).	Gov't, local gov't, financial institute, NGO, venture capital, Management Support Centre.	
<b>Actors' partnership (VIPS)</b>	PP	Producer of goods and services.	Firms, core/linked firms, forward/backward linkage effect.
	SO	Establishment and integration of role and function of innovation actors.	Connect, networking and partnership.
<b>Localisation</b>	A local unit of cluster activity, the effective size of area actors cover so as to ensure easy geographical access to each other.	External effect, specialisation effect based on division of labour, distance effects, minimisation of transaction costs.	
<b>Innovation milieu</b>	Culture of learning and exchange, culture of competition and co-operation, entrepreneur spirit, culture of innovation.	Spread of innovation and synergistic effect, RIS, NGO.	
<b>Cluster convergence</b>	Convergence of industrial cluster, RHRD cluster and R&D clusters, convergence of technology.	Principles of division of labour and specialisation, network effect, forward/backward linkage effect.	

to formulate and carry out policies for the cluster. The cluster might not be newly developed but replaced by the ICC or system organiser (SO).

The innovation cluster will be worked in partnership with the actors such as vision providers (VP), infrastructure providers (IP), production providers (PP) and the system organiser (SO). The vision providers (VP) like universities present a vision for the cluster, foster knowledge workers and R&D, and develop basic or source technology. The role of an infrastructure provider (IP) is to produce, e.g., an attractive residential environment, a labour market information hub and HRD-net. Infrastructure providers will be not only from government but also from the private sector, such as capital providers (CP) and business service providers (BSP). Capital providers might include grants, business angels, venture capital, public capital and various foundations, etc. Production providers (PP) such as companies produce goods and services, and create jobs. The system organiser (SO) must co-ordinate between VP, IP and PP so that they can work in partnership by integrating through networking. In the auto cluster in Toyota city, the dominant company like Toyota plays double roles as PP and SO. If an innovation cluster does not have such a dominant company, ICC or governance for the cluster must play the role and take on the functions of system organiser. In the innovation cluster, new companies must be created constantly. The system organiser needs to connect VP, IP and PP to create new companies, which is shown in Figure 9.4.<sup>2</sup>

Figure 9.4. **New company creation model**

VP, IP, PP and SO must all maintain close co-operation and a close partnership. The VP must not only provide vision for the innovation cluster but also lead innovations by supplying knowledge and knowledge workers to the IP and PP. The IP must lay infrastructures that make the VP and PP perform at their best. The PP must fully utilise knowledge workers and infrastructure to produce high value-added goods and services.

Localisation indicates an agglomeration of functions such as R&D, human resource development and production within a certain area close by that acts as a unit of economic activity. Localisation is still needed to build an innovation cluster, although knowledge and information flow without the limitations of time and space due to the ICT revolution. Localisation is a necessary but not sufficient condition to make an innovation cluster because innovation comes from tacit knowledge that is delivered through repetitive face-to-face contact and mutual interactions.

Neither localisation alone nor actors' networking in itself will be sufficient to create and diffuse innovations. Good partnerships as well as innovations are actively generated in an innovative milieu; for the innovation cluster they are units of social capital that learn from each other, exchange ideas and nurture entrepreneurship in the culture of competition and co-operation. Diverse innovation forums or academy sessions should be organised on a regular and sustained basis in order to help create an innovation milieu.

The last point of the GALIC model focuses on cluster convergence, consisting of an HRD cluster capable of continuously developing knowledge workers and job skills; an R&D cluster that can create new knowledge and technologies; and an industrial cluster that can maximise the forward/backward linkage effects of industry and business, etc. It is of course possible for a certain industry, university, or R&D centre to simply group together into a cluster without building a cluster convergence. However, the cluster

convergence strategy can produce synergistic effects; these are made possible by the forward and backward linkage effects of the industry cluster, the brainstorming effects of the R&D cluster and the effective HRD for a knowledge workforce via vertical and horizontal co-operation within and/or between academia and industrial circles. Cluster convergence will make an innovation cluster more successful.

An innovation cluster is a key strategy for national competitiveness in a globalising knowledge economy, and the clusters can only be formed in regional units owing to the localisation effect. Therefore, job skills development for the cluster would be more effectively and efficiently carried out on a regional basis or around the cluster. HRD for knowledge workforces in a company and/or an industry is key element for them to acquire competitive advantage.

### **HRD for the vulnerable and socially excluded**

A social safety mechanism that protects a society's underprivileged is a prerequisite for a region or a nation to move forward to become an advanced economy. The definition of the vulnerable needs to be clarified, stressing the strategic importance of their vocational training. "The vulnerable" is here defined as persons in involuntarily unemployed due to diminished job skills, irregular contract workers, small-scale business owners, unpaid family workers, the handicapped, the elderly retired, and others who may hold jobs but endure a poor quality of life. Nowadays, anyone may find themselves in the vulnerable or disadvantaged category since job creation and job destruction have been occurring so frequently and job skill requirements change so rapidly. Traditional European social security systems are therefore no longer adequate for solving the issue of the disadvantaged. More than anything, job creation should be the first strategic choice in protecting the vulnerable, which signifies the importance of job skill development for these persons.

Under the jurisdiction of RESAB, the Learning Communities Council (LCC) will be needed at the county level as well as in the state level to develop policies for job creation and job skills development for the disadvantaged. The LCC must utilise information provided by the LJIC to assess the current status of the region's vulnerable. Another basic strategy in these efforts is to create a learning environment. Since the vulnerable typically exist outside of the general organised labour markets, they rarely have the opportunity to improve job skills or engage in learning programmes. Moreover, they often do not recognise the importance of job skill training. A "learning city" could be created as a place for seminars, citizen talks, or learning festivals for all social groups to promote awareness of the importance of learning in the local community and foster a good environment for learning.



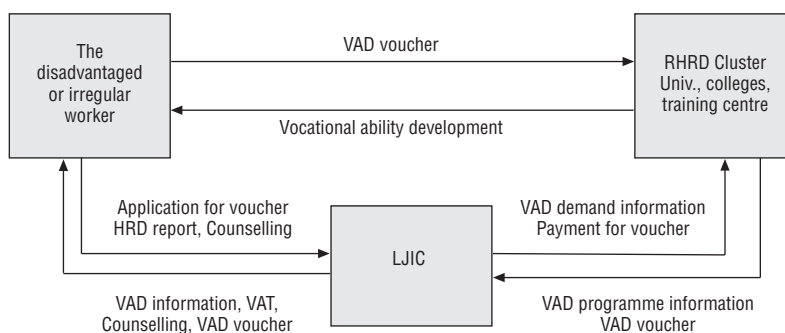
Not only is the percentage of irregular workers extremely high, but job skill development for these people lies in a grey area. Companies are not willing to make investments in job training for these workers, who are usually on short-term contracts. If this situation continues, we may be trapped in national low-skill equilibrium. If companies fall into that trap, they will be hindered in their efforts to improve productivity and end up losing global competitiveness. The risk of job destruction may then outrun job creation and lead to high rates of structural unemployment. This is why a job skills development programme is needed for irregular workers.

Figure 9.5 shows us a conceptual framework of job skills development for irregular workers. The government support system for this development may be carried out either on a company basis or an individual worker basis. A company determines what job skills should be taught to irregular workers and sets a limit on the number of participants. After consultations with the LJIC, it then applies for government support. In turn, the government will take into account training costs and headcount before handing out a certain number of job skills development vouchers to workers through the company. The company will then draw up a contract with a job skills development provider. The government may offer extra support as an incentive when the programme for the irregular workers enjoys high utilisation rates.

The irregular workers who hold employment insurance should be allowed to apply for job skills development programmes on their own without going through the company. Irregular workers can take up a vocational ability development programme that they have chosen from among various skills development programmes in the RHRD cluster by using their vouchers. The training institutes can receive money in exchange for vouchers in the LJIC.

An unemployed person could find a new job or develop new job skills through skills/aptitude tests and consultation with the LJIC. If the vocational

Figure 9.5. **Conceptual framework of job skills development for irregular workers**

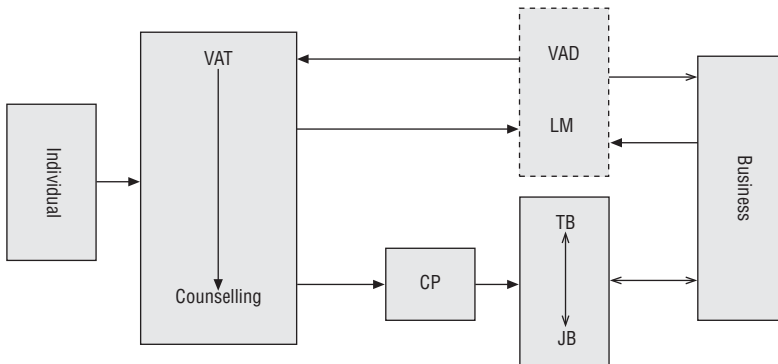


ability test (VAT) reveals they need new skills, they can get a vocational ability development (VAD) voucher over the employment counter in the LJIC.

**Elements and functions of the LJIC**

The functions and the working mechanisms of LJIC information hub are illustrated in Figure 9.6. LJIC performs a myriad of tasks. These include vocational ability tests (VAT), career counselling for career portfolio (CP), on-site consultation programmes, the learning mart (LM), talent banks (TB), job banks (JB), labour market information offices, business customer service centres (BCSC), employment insurance benefits, new job programmes (NJP) and job fairs, as well as providing information on employment incentives.

Figure 9.6. **Functions of LJIC**



There are a number of phases that individuals would undergo when they walk into the LJIC. In phase 1, he or she can take a VAT. Based on the test results, they will be given a counselling session to determine whether they should receive education and training to develop a new job skill, or simply need to register in the talent bank (TB) to initiate a job-search (phase 2). They will also receive counselling on how to manage their career portfolio (CP) based on the available information in both the education and labour markets. In phase 3, they will be introduced to vocational ability development (VAD) programmes suiting their job aptitudes if it is deemed that they need to develop new vocational abilities. In phase 4, they will have finished a vocational ability development course and thus take another VAT. Subsequently, they will be registered in the TB. In phase 5, they will be able to look for jobs in the JB and be offered advice and instruction on how to write resumes and self-introduction letters and prepare for job interviews.

The Business Customer Service Centre (BCSC) provides all kinds of information and services related to job offers and workforce management. It

also offers comprehensive consulting services on government tax incentives and wage compensation, as well as strategies to help SMEs retain their employees. Pre-screening of jobseekers for businesses is also provided to cut hiring costs in enterprises. Should a company planning to restructure register with the New Job Programme (NJP), the BCSC will operate special programmes to help soon-to-be-dismissed workers find new jobs.

### **Expected results of LJIC: Transition cost and transaction cost**

First, the most important function and expected effect of LJIC is to maximise the production function of the economy by alleviating the problem of information asymmetry in both education and labour markets. Asymmetric information makes it difficult for the market to function properly, resulting in soaring transaction costs and inefficient allocation of resources. When information is shared by all, entry and exit to the market will happen smoothly and fairly. This in turn will contribute to a dynamic and healthy labour market.

Second, once the system of information sharing is securely in place, incompetent vocational ability development institutions will be driven out of the market while new, competitive and innovative systems will be created continually. When the information gap in the education market is narrowed and eventually eliminated, a fair competitive environment will be fostered; human resource development institutions such as universities, junior colleges and training institutes will become more specialised; and the competitiveness of vocational ability development will be enhanced in a consistent manner.

Third, integrating information in the education and labour markets will help minimise the transition costs that occur in the move from school to work. Asymmetric information leads to many cases of job and skill mismatches. This worsens the youth unemployment rate, prolongs their unemployment, and lowers the quality of employment as more people turn to irregular part-time jobs. Moreover, the transition from school to work becomes very costly. Fourth, LJIC helps reduce transaction costs by providing a one-stop service to those in both the supply and demand sides of the labour market.

## **Conclusion**

The RESAP Model is here offered as a new paradigm for both economic competitiveness and social cohesion in a knowledge-based economy. The key components of RESAP are its regional governance initiatives, simultaneous pursuit of economic and social advancement, and partnership among the participants. As regional governance, the Regional Economic and Social Advancement Board (RESAB) may be organised at the county level as well as the state level.

Economic advancement can be delivered through enhanced competitiveness, and social advancement from the realisation of social inclusion. In order to attain economic competitiveness and social inclusion at the same time, a dynamic and healthy labour market (DHLM) must be created. In order to create a DHLM, a human resource development system capable of fostering knowledge workers and developing job skills must be instituted on a regional basis, which is the RESAB. Also, a Learning and Job Information Centre (LJIC) must be established to minimise the lack of information correlation in the education and labour markets.

The RESAB must include a KCC (Knowledge Competitiveness Council), to develop knowledge workforces and a lifelong learning system; an ICC (Innovation Cluster Council), for the development of job skills on a cluster-by-cluster basis in order to secure an engine for local economic growth; and an LCC (Learning Community Council), to develop job skills for the vulnerable and promote social inclusion.

## Notes

1. The author (Lee, 1996) introduced the concept of “humanware” in his PDR System Theory, defining it as a ware that transforms a human resource into a creative resource. According to Lee, the fact that human resource can be so transformed is attributable to its intangible assets, such as mind-set and ability. These intangible assets are differentiated from other assets such as land or capital, due to their creative characteristic and high interactivity.
2. The basic idea of Figure 4 originated from CONNECT in San Diego.

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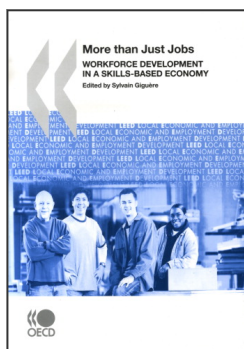
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