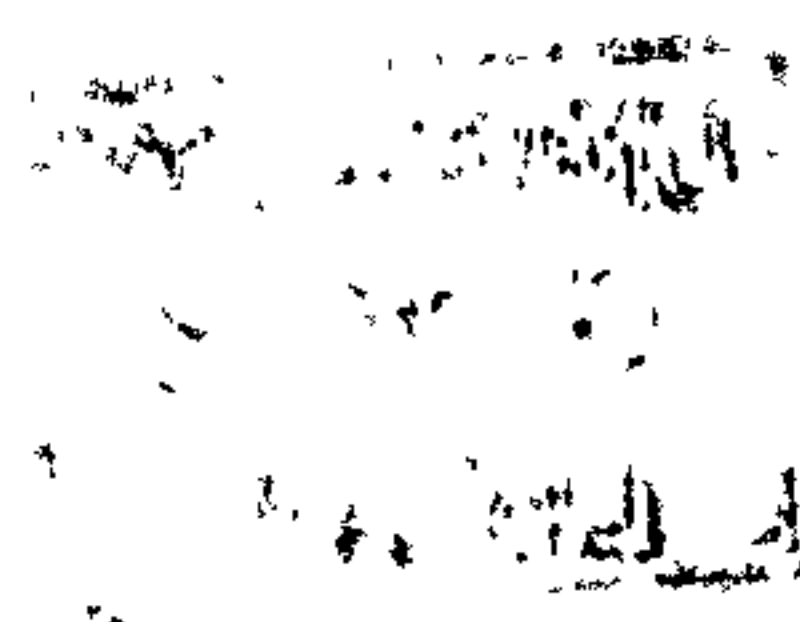


**SOCIAL ASSISTANCE IN KOREA IN
COMPARATIVE PERSPECTIVE**

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**This thesis is submitted for the degree of PhD
at the University of York
in the Department of Social Policy and Social Work
in February 2007**



Abstract

This thesis focuses on a new general social assistance scheme in Korea, which replaced the previous categorical assistance scheme in 1999. First it compares the previous and current assistance schemes in Korea to explore whether or not there has been a regime shift within Korean social assistance. Second it compares current general assistance in Korea with eight OECD countries, in terms of expenditure and the claimant numbers, conditions of eligibility and entitlement and benefit levels in order to see how far Korea constitutes a unique case. This forms the basis to place Korea within social assistance regime theory.

In the second part of the study, using the NRB data, this study compares recipient and low-income non-recipient households with regard to the socio-economic-demographic features and the determinants of being in poverty. Finally the effectiveness of Korean social assistance in reducing poverty is assessed by family size and type and it is then compared with British means-tested social assistance, using micro-data from Korea (NRB) and Britain (FRS).

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List of Abbreviations and Organisations

EI	Employment Insurance programme
FRS	Family Resources Survey of Great Britain
IACI	Industrial Accident Compensation Insurance
IMF	International Monetary Fund
KIHSA	Korea Institute for Health and Social Affairs
LIS	Luxembourg Income Study
LP	Livelihood Protection programme
MOHW	Ministry of Health and Welfare
NBLS	National Basic Livelihood Security scheme
NHI	National Health Insurance scheme
NP	National Pension scheme
NRB	National Basic Livelihood Security Scheme Review Board
OECD	Organisation for Economic Co-operation and Development
PPPs	Purchasing power parities
SOCX	OECD Social Expenditure Database

Acknowledgements

The completion of this thesis would not have been possible without the steady support and assistance of numerous people. First of all, my thanks go to my supervisor, Professor Jonathan Bradshaw who has guided, encouraged and supported me and to my thesis advisor Dr. John Hudson. A thesis is full of good and not so good moments, but I always knew that both of you were there to support me on everything. I have learnt a lot from you. Thanks are also due to Dr. Meg Huby for giving me critical comments on an empirical chapter using quantitative methods. I would like to thank Dr. Susan Kuivalainen at the University of Turku for advice and useful information on social assistance schemes in European countries. Special acknowledgements go to Professor Jin Young Moon at Sogang University for his advice, support and encouragement. I am grateful for advice, support, encouragement and readings to Dr. Adrian Lee, Dr. Dominic Richardson, Dr. Gyu-Jin Hwang, Dr. Beverley Searle, Stefan Kühner, Hongsok Jeon, Junko Yamashita, Matthew Norton, Shehzad Ali, Antonia Keung, Jack Chen, Jin Yong Wang, Diana Gimba and all other research students. I would like to thank Professor Mary Maynard, Dr. Christine Skinner and other members of staff in the Department of Social Policy and Social Work at the University of York.

I am also indebted to academics and researchers in South Korea: Sun Huh at Soon Chun Hyang University, Professor Man-Hee Ryu at Sangji University, Dr. Soo-Hyun Kim in the Office of the President, Yeon-Myung Kim at Chung-Ang University, Professor Sung-Soo Chun, Young-Sook Kim, Misook Cho, Jong-Wha Jeong at Sahmyook University, and Mi-Gon Kim, Dr. Kyung-Whan Kho and Dr. Eugene Yeo in the Korea Institute of Health and Social Affairs.

The members of York Korean Church and the Korean Society at York have given me endless support to me. Most importantly, many thanks are due to the Lord for Your patience, acceptance and for my life and the faith in You that has brought me this far.

Finally, I would like to thank my parents, parents-in-law and my wife Sunae whose support never weakened even during the most difficult times, and my daughter Yuri who makes me smile and cry. To them, this thesis is dedicated.

Chapter 1 Introduction

Welfare states during the second half of the 20th century have made a lot of efforts to tackle poverty by establishing very detailed and complicated systems of income redistribution, income maintenance or income support. In spite of the efforts of the welfare states to eradicate poverty, it has not however been abolished in advanced welfare states. Using one of the most commonly used thresholds in research on comparative poverty, i.e. 50 per cent of median income, around 10 per cent of households or individuals live in poverty in OECD countries (see Gordon et al., 2000; Atkinson et al., 2002). As Ringen (1987: 141) stresses, alleviation of poverty has, in fact, been one of the primary aims of modern welfare states: 'if poverty prevails, the welfare state is a failure.' Why is there still a sizeable level of poverty in the modern welfare states notwithstanding the elaborate income maintenance systems? The effectiveness of the welfare state should be challenged if the welfare states are not effective in reducing poverty (Behrendt, 2002).

The key aims of social assistance schemes are to prevent hardship amongst those with no other resources, whilst also preventing social marginalisation and exclusion. There is an important relationship between poverty and social assistance. As a basic and final social safety net of welfare state, social assistance provision plays a very important role in the alleviation of poverty, which is one of the major aims of the welfare states, and is designed to guarantee an adequate (or minimum in some countries) standard of living. As can be confirmed from previous studies on social assistance schemes (Ditch, 1999; Eardley et al., 1996a) and minimum income standards (Veit-Wilson, 1998), social assistance schemes are particularly important as they become *de facto* poverty lines, on the basis of certain minimum income levels below which no member of

society should be allowed to fall. Therefore in order to evaluate whether social security system of a welfare state are effective or not in achieving their goals as social safety nets, it is essential to assess the final safety net – social assistance. If any people are excluded from the ultimate safety net, they run a higher risk and are more likely to be poor than those covered by social assistance. Eardley et al. (1996a) point out that certainly some groups of the population even in the OECD countries are not covered by social assistance schemes because of conditions of their age, residence and nationality, or employment status etc. Behrendt (2002) also argues that parts of the population in Germany, Sweden and the United Kingdom are not supported by any kind of means-tested benefits despite low income, while the vast majority of the population are covered by social assistance schemes, on the one hand. On the other hand, the social assistance benefits in the three developed countries are not distributed evenly amongst people with low-income.

Like in other OECD countries, parts of people with low-income in South Korea (hereafter Korea) have also been excluded from social assistance, though they are in poverty. Compared to European countries, the issue of poverty had not been in the centre of social policy in Korea since 1970s due to the extraordinary high economic growth¹, with full or near full employment rates. Under the ‘developmental state’ (Gough, 2001), Korean economy performed one of the highest growths in the world, which placed almost exclusive emphasis on economic development, while using social policy as an instrument for economic growth.

¹ Korea achieved over 8 per cent, more than three times the world economic growth rates during the past four decades.

The outbreak of the 1997 economic crisis, which resulted in huge economic recession and massive unemployment, however, has an important role in provoking public awareness of the poverty problem. The economy recorded negative growth in 1998 from a positive growth rate of five per cent in 1997, and the unemployment rates increased dramatically to 8.6 per cent in February 1999 from 2.6 per cent in 1997 (NSO, 2001b). As a result, the poverty rate based on the social assistance benefit rates, which are about 40 per cent of the median income, soared dramatically to 12.6 per cent in February 1999 – more than a four fold increase than that in 1996 (Park, 2000). In the wake of the crisis, the problem of poverty has come to the fore in the Korean context as one of the main social agendas needing to be solved urgently, and has served as a momentum for realizing that the problem is not just limited to a small group of people with low-income but there are many potentially poor people excluded from social assistance, namely ‘people just above the social assistance recipient group’.

Since the economic crisis of 1997, social security reforms have been executed in Korea and, in particular, categorical assistance which had had a Poor Law tradition for over thirty-five years was finally reformed in 1999. As a consequence of social assistance reform, a new social assistance law, the National Basic Livelihood Security (NBLS) Act of 1999 was enacted and a new general assistance scheme NBLS was established in order to cope with the problems of soaring unemployment and widespread poverty. The new social assistance scheme is designed to protect social rights as a part of citizenship and to secure minimum income to those eligible, regardless of their age, sex and working ability. In Korean context, the NBLS scheme has thus been evaluated as an epoch-making programme elevating the level of the Korean social welfare (Choi, 2000; MOHW, 2000, 2002b; Moon, 2002; Shin, 2000).

While it is generally agreed that the Korean economy has recovered since the second quarter of 1999, the poverty rates have not yet returned to those before the 1997 financial crisis, since income inequality has been worsened. Despite the far higher rates of poverty than before the crisis, the coverage rates of Korean social assistance have remained at only around three per cent of the total population since 1994 due to strict eligibility criteria. This means certain groups of people on low-income below the 40 per cent poverty line seem not to be covered by the final social safety net, which is responsible for protecting the poor from hardship. Thus the new general assistance scheme has been criticized.

Social assistance provision was, in fact, expected to be residual safety net, which plays only a supplementary role for social insurance by Beveridge and others. However, this expectation was not fulfilled. Interest in targeting, selectivity and means-testing continues to grow in international context. In many OECD countries, there has been steady increase in both the recipient numbers and the volume of expenditure, driven by rising levels of unemployment and social and family changes (Behrendt, 2002; Ditch, 1999; Eardley et al., 1996a; Gough et al., 1997; Ditch and Oldfield, 1999). By the World Bank and the other international agencies, targeted means-tested social assistance schemes are widely recommended for the Eastern European countries and other developing world as an essential social protection measure to support its limited insurance-based systems. As mentioned at the beginning, social assistance systems are *de facto* poverty thresholds and play a crucial role for the prevention and alleviation of poverty in modern welfare states. Social assistance benefits are provided for those with no other adequate source of income, whatever their circumstances (Alcock, 1996: 258) and are explicitly directed to low-income groups. There is, therefore, a widespread perception that social assistance schemes are growing in importance.

In terms of social assistance benefits, there is a need to understand to what extent reliance on means-tested assistance has been increasing, what patterns and trends have emerged in how schemes are organised and administered, and how successful policy approaches to common problems have been (Eardley et al., 1996a, 1996b). On the OECD level, there are concerns about: balancing the adequacy of benefits with financial incentives to work; interaction between social assistance provision and other benefits; the levels of benefit; institutional diversity and different functions of social assistance; promoting independence (OECD, 1998; Whiteford, 2002). With regard to the need and concerns about social assistance, there are a growing number of studies on social assistance schemes within a national context in the Western countries. However, there has been little attempt to review structures and trends in the development and delivery of social assistance and other means-tested schemes on a comparative basis in the Western world² (Behrendt, 2002; Ditch, 1999; Ditch and

² In practice, most comparative studies of social policy and welfare state have focused on the development of social insurance schemes in Europe together with some studies of typology of welfare state regimes. Only for the past decade, as there is growing concern for the targeted means-tested assistance, some cross-national analysis of social assistance schemes has been emerged. Theses can be divided by two main topics: those having attempted to integrate social assistance schemes into typologies of welfare regime or identify new social assistance regimes (Eardley et al., 1996a; Leibfried, 1992; Lødemel and Schulte; 1992), and those systematically comparing the institutional design of social assistance schemes in various industrialised countries to examine the performance of the schemes and practice (Behrendt, 2002; Guibentif and Bouget, 1997; Heikkilä and Keskitalo, 2001; Kuivalainen, 2004; OECD, 1998; Saraceno et al., 2002).

Oldfield, 1999; Eardley et al., 1996a; Gough et al., 1997).

However, even in the field of remarkably little cross-national analyses of social assistance, the overwhelming majority of comparative social assistance studies have been done on the Western countries. In other words, little attention has been paid to the social assistance schemes in further parts of the world, in particular, East Asian countries, even though since the early 1980s in the West there has been an increasing interest in the developmentally dynamic societies of East Asia (Goodman et al., 1998; Hort and Kuhnle, 2000). Some studies have previously carried out comparative research on means tested social assistance on the scale of the West, Europe, and OECD including Japan, which was the only East Asian welfare regime at the time of study (Behrendt, 2002; Eardley et al., 1996a, 1996b; Gough et al., 1997, 2001b; Kuivalainen, 2004; Saraceno, 2002). These studies, however, have not included Korea which became the twenty-ninth member of the OECD in December 1996.

1.1 The purpose of the thesis

This study makes an effort to step into the gap mentioned above and to offer knowledge of social assistance schemes in other parts of the world, in this case – Korea, which is one of the East Asian welfare regime. Thus the main aim of this study is to contribute to enriching existing comparative knowledge on social assistance and our understanding of East Asian social policy. The study will analyse social assistance in Korea in comparative perspectives, combining qualitative information on the institutional frameworks and quantitative methods to present a comprehensive and comparative picture of Korean social assistance.

The main research questions to be addressed in this study are:

1. Has there been a regime shift within Korean social assistance?
2. How far Korea constitutes a unique case? How far it differs from other countries in terms of extent, programme structure and generosity?
3. Are there differences or similarities between social assistance recipients and non-recipients with regard to the socio-demographic characteristics and the determinants of being poor?
4. How effective is Korean social assistance to alleviate poverty?
5. In which social assistance regime could the Korean model be placed? If it could not be located within an existing social assistance regime, what is the distinct feature of the Korean scheme?

1.2 Terminology: What is social assistance?

Social assistance does not have a single or universally accepted definition, since the term is not exactly internationally agreed (Ditch, 1999; Eardley et al., 1996a). Many countries have various and different social assistance systems. These social assistance schemes take the form of means-tested benefits, including cash and in-kind benefits, targeted to those below a certain poverty line. Moreover those benefits are often linked to integration programmes designed for recipients. In terms of policy, financing and delivery, national or local authorities take responsibility and even non-governmental organisations play an important role in some countries. Thus it is not straightforward to define what is social assistance. Of Eardley et al. (1996a)'s three preliminary distinctions within resource-tested benefits, including general assistance, categorical assistance and tied assistance, the main interest in this study is general social assistance

to which the new Korean assistance scheme belongs. General assistance is defined as the schemes that guarantee a minimum level of subsistence to all (or almost all) people, rather than to specified groups below a specified minimum income standard. It is usually a last-resort, means-tested, and is characterised by income and asset-tested benefits for those with no other adequate resources of providing for themselves and their family. Examples include Income Support in the UK, Sozialhilfe in Germany, Social Bidrag (Social Welfare Allowance) in Sweden, Living Allowance in Finland, Supplementary Welfare Allowance in Ireland, Algemene Bijstand (ABW) in the Netherlands, Social Insertion Income in Portugal, Public Assistance in Japan and the NBLIS in Korea. Yet other tied assistance such as housing benefit is also included in the NBLIS scheme, thus other types of means-tested benefits are also taken into account where relevant.

1.3 Outline of the thesis

Chapter 2 reviews the related existing national and international literature on social assistance in Korea: the emergence and development of social assistance, comparative welfare states and social assistance regimes, and the development of social welfare in Korea. Chapter 3 is concerned with the research methods this study adopts. Chapter 4 to 6 focus on the institutional design of social assistance in Korea. Current general assistance in Korea is compared with previous categorical assistance in Korea, and with general assistance schemes in other OECD countries with regard to: the extent and salience (Chapter 4), conditions of eligibility and entitlement (Chapter 5) and benefit levels (Chapter 6). Chapter 7 compares recipient and non-recipient households with regard to the socio-economic-demographic characteristics and the factors associated with experiencing poverty. The effectiveness of the Korean social assistance

scheme on poverty reduction is examined in Chapter 8 and it is then compared with that of the British means-tested benefits in Chapter 9. Finally, Chapter 10 concludes this thesis.

Chapter 2 Literature review

2.1 The emergence and development of social assistance

Most countries have developed schemes to provide assistance and support for those who are otherwise unable to support themselves or lack of support from their families or relatives. Current social assistance schemes in many countries are often linked to a poor-relief and Poor Law tradition. As many researchers (Alcock et al., 2000; Ditch, 1999; Eardley et al, 1996a; Lødemel and Schulte, 1992; Thane, 1996) argue the Old, or Elizabethan Poor Law of 1601, which had set up a system of local poor relief (parish-based) can be regarded as the starting point of social protection provided by the state in the UK. By the early nineteenth century, this strictly locally organised system had been in need of reform as Britain became industrialised and urbanised, which caused an increase in the number of paupers.

The Old Poor Law was replaced by the Victorian Poor Law of 1834, and the New Poor Law, rooted in the principles of 'less eligibility' and the curbing of most 'outdoor relief' through the workhouse test, and attempted to match the social changes. It created a system normally available for the destitute only in the workhouse except for the individuals whose poverty was not their own fault and whose behaviour was respectable (Alcock et al., 2000; Thane, 1996). That group of people, e.g. the elderly, widows, sick and physically or mentally disabled people might still receive outdoor relief in their own homes. The above principles of the Poor Law were a key feature of early social protection systems and they have remained implicit, to a greater or lesser extent, in social security systems ever since.

During the late nineteenth century some Western countries adopted the principle of social insurance, the so-called Bismarckian paradigm, which embodies assumptions about the centrality of work and the practice of complementary contributions linking employees, employers and the state in a binding relationship (Ditch, 1999). In the UK the insurance principle was adopted in the early twentieth century. The first state-based insurance was introduced by the Old-Age Pensions Act of 1908. It was non-contributory and available to all who were aged 70 or over, based on a means test, which was not a family one but a personal one. A contributory but not means-tested insurance scheme was introduced by the National Insurance Act of 1911, which provided benefits for sickness and unemployment. One of the main purposes of these two acts enacted was to reform and replace the Poor Law. The values associated with the locally provided Poor Law however were not formally denied until the publication of the Beveridge Report in 1942 (Alcock, 1997; Ditch, 1999).

Beveridge recommended the introduction of a new social assistance scheme, called National Assistance, together with the new National Insurance scheme extended to almost everyone in work. He recommended for those people who had insufficient contributions, i.e. those excluded from both labour market and the National Insurance benefits, means tested assistance benefits should be provided. It was expected that demand for means tested assistance would be relatively low and little more than a residual safety net as National Insurance expanded. Social insurance has dominated social security provisions in most industrialised countries, but the comprehensiveness of the scheme, i.e. universal coverage, has hardly been realised (Spicker, 1993). By contrast, in practice means tested social assistance has played a much greater role in the social security system in most developed countries than Beveridge had envisaged (Alcock, 1997; Deacon, 1995; Ditch, 1999; Lodemel and Schulte; 1992). In 1992 it

even became the primary income source for over 15 per cent of the British population and the level of funding on it represented over 30 per cent as a share of social security in Britain. General social assistance schemes in the US, Canada, and Finland, all deliver to about one in ten of their populations, whilst those in Sweden and Germany cover more than five per cent (Eardley et al., 1996a: 39).

The oil shocks and the so-called 'crisis of welfare' deriving from the international economic problems of the 1970s, brought about a shift from the dominance of universal benefits towards selective or targeted benefits including means tested social assistance provision. There has been growing international political and economic concerns about levels of spending on social protection and the appropriateness of categorical benefits, to contend with the problems such as economic depression or stringency, increasing unemployment rates, new poverty and change in family forms and other demographic shifts.

In fact, the international discourse has strongly been influenced by the issue on levels of social security expenditure, in particular the capacity of social insurance schemes, which can affect competitiveness and employment. This is an issue that has been developed since the 1980s by the governments of the UK and the US (Ditch, 1999; Eardley, et al., 1996a). It is also a significant topic, which runs through the OECD analyses of the Jobs Study (OECD, 1994) and is treated by the EU governments. Although the European Union has not fully agreed to reduce social insurance programmes and emphasised the significance of the social dimension of the Union, there has been a shift in emphasis with policy declaration aimed at increasing competitiveness and employment by contracting employers' non-wage costs and facilitating work incentives through changing and restructuring social protection

systems (European Commission, 1995, quoted in Ditch, 1999). Through the dispute over the social security cost, some implications can be found – reduction or reconstruction of social insurance schemes encouraged and turning to assistance-based provision with stricter conditionality rules and stronger requirements to job search.

The emergence of ‘new poverty’, which is the argument that even in these days of expanding affluence and elaborate welfare systems, a considerable amount of poverty still exists in Europe and other industrialised countries (Room, 1990), has been another factor resulting in demand for social assistance. There has been evidence of a change in the composition of the poor over time, leading to an increase in the number of people not protected by insurance-based social protection, due to long-term exclusion from labour market or reliance on inadequate and loosely structured social assistance provision as well as change in social structure and class formation. Measures of this new poverty vary but are mainly based on percentages of households living below poverty (percentage) lines of the mean/median incomes or expenditures, whereas the results are sensitive to the poverty lines and the equivalence scales applied (Behrendt, 2002; Eardley et al., 1996a: 21-22). Here is a manifest reason why social assistance provision is especially important – it is *de facto* poverty lines (Eardley, et al., 1996a; Veit-Wilson, 1998).

All of the concerns and problems described above have enabled selectivity to gain ground, and stronger targeting on the poorest/those most in need to be thought to be more effective and efficient at closing poverty gaps and alleviating poverty, than universal benefits. Actually the most notable features or advantages of means testing are focusing resources on the most needy and redistributing resources vertically from rich to poor. The importance of targeted social protection programmes has been

supported by international institutions and agencies. The World Bank (1990: 3) suggests: ‘a comprehensive approach to poverty reduction calls for a programme of well-targeted transfers and safety nets as an essential complement to the basic strategy’ (quoted in Atkinson, 1993). The developing world and central and eastern Europe in the new market economies has been widely required by the World Bank and the International Monetary Fund (IMF) to establish means-tested safety nets as an essential anti-poverty measure to support its limited insurance-based systems and to accompany economic reforms by the World Bank and the IMF. On the EU level, all member countries have been encouraged to institute a minimum income scheme, by a recommendation adopted by the EEC Council in June 1992.³

However, there is an extensive literature on the problems of means-tested benefits. For example, means tested benefits create the complexity and difficulty of administration, poverty and unemployment traps, stigma, low take-up, and a problem of equity at the margins, between those who qualify and those who do not. There are other drawbacks too – focusing on poverty relief rather than on other possible legitimate objectives for social security policy: protection against social risk, horizontal equity, redistribution of resources over the lifecycle, and the improvement of social cohesion (Eardley et al., 1996a: 23). In addition, there are critics of means tested benefits that means tested benefits cannot satisfactorily eradicate poverty due to niggard benefit levels and low take-up rates caused by stigmatisation (Smolensky et al., 1995; van Oorschot and Schell, 1991).

³ Recommendation 92/441/EEC of 24th June 1992, on common criteria concerning sufficient resources and social assistance in social protection systems.

Industrialised welfare states have been built up by the development of typically social insurance systems together with means-tested social assistance benefits. The means-tested benefits however have not been reduced to the role of safety net envisaged for them by Beveridge. Instead the role of them has risen to become the principle feature of state support in modern welfare states, but these benefits are targeted on those most in need.

2.2 Comparative welfare states and social assistance regimes

Through the developments of social security systems in the twentieth century, two main but contrasting models of social protection have emerged – those countries based on social insurance and those relying on other arrangements such as the market and private insurance. As some commentators (Ditch, 1999; Eardley et al., 1996a) argue, however, this kind of dichotomy is too simplistic since social protection is associated with other factors in what have been called ‘welfare state regimes or typology’, to identify more complex and distinctive clusters of provision. Comparative research on welfare state has thrived during the past decades. Titmuss (1974) made an early contribution to identifying a typology of welfare states. Titmuss suggested his own three types of welfare state: residual model based on means testing, achievement-performance model based on earnings-related contribution systems and institutional redistributive model based on universalism. Titmuss’s classification is rather abstract because he did not attempt to explain each model with a theory about why there were different types of welfare state, while he stated that some countries (or national traditions) appeared to rely more on one principle than another (Mabbett and Bolderson, 1999: 46).

Esping-Andersen identified himself intrigued by Titmuss's study, three types of welfare state in his seminal book *Three Worlds of Welfare Capitalism* (1990) and the book became one of the most influential and cited books on welfare state regimes and comparative social policy. The book focused on two main dimensions: 'social stratification', which indicates class divisions (according to occupational status) and social solidarity; the extent of 'de-commodification', in which social policy makes citizens live outside the labour market. Those countries with flat-rate and universal welfare benefits get a higher score than those on the basis of mainly contributory social insurance and means tested benefit systems. In his study, Esping-Andersen classified countries into the following three welfare regimes:

- *Social democratic regime*: characterized by principles of universalism, de-commodification of social rights and benefit equality. Examples of this model include the Scandinavian countries.
- *Liberal regime*: characterized by an emphasis on market-based social insurance and the use of means-testing in the distribution of benefits, indicating low levels of de-commodification. Anglo-Saxon countries such as Australia, Canada and the USA (and potentially Britain) are the nations in this category.
- *Corporatist or conservative regimes*: based on previous earnings and contribution-based institutions and the protection of the traditional family. Bismarckian countries such as Austria, France, Germany and Italy are included in this category.

Yet, Esping-Andersen's typology has attracted criticism. Esping-Andersen takes account of only pension, sickness and unemployment benefits and labour market policies, which focuses on social insurance and excludes many other policy areas. As Bradshaw et al. (1993), who conducted comparative research on examining child

support packages, argued, if other policy areas excluded from his model, such as family benefits, health care, housing, education were taken into account, his research might come to a rather different classification of welfare regime types. Lewis (1992) and Siaroff (1994) criticised the concept of 'de-commodification', on which Esping-Andersen focused, is biased against gender, since part-time or unpaid work has been ignored, thus meaning the position and contribution of women in society was not considered in his model. Lewis suggested three alternative categories based on the dominance of the male breadwinner: 'strong male breadwinner (Britain)', 'modified male breadwinner' (France), and 'weak male or dual breadwinner (Sweden)'.

There has also been much debate about which countries should be located in which Esping-Andersen's welfare state regime types and whether more regimes need to be added to his typology. Castles and Mitchell (1993) have challenged Esping-Andersen's ambiguous grouping together of Australia and New Zealand with the other Anglo-Saxon countries, and Japan and Switzerland, which are all characterised as liberal - relying mainly on means tested benefits. Castles and Mitchell argued that the result of his typology of the liberal regime disregards the outcomes deriving from means tested benefits, and suggested a further cluster composed of Australia and New Zealand together with Britain, depicted as a 'radical' regime based on the tradition of labour politics. A country included in the type of fourth regime is characterised as a very effective and strong redistribution. In effect, Esping-Andersen concluded means tested benefits are 'highly conditional in terms of offering rights' (1990: 54), but this was not on the basis of achieved outcomes but supposed. Although his welfare state typology assigned special importance of means testing and makes it a defining characteristic of the Liberal regime, he overshadowed the existence of means tested benefits and their performance in the other welfare state regimes (Sainsbury and Morissens, 2002: 308).

Consequently, he counted means tested programmes for low decommodification and the focus was on social insurance. The existing typologies of welfare state regimes are, therefore, insensitive and not very applicable to comparative research on social assistance schemes.

Given the lack of weight given to social assistance provision, compared to social insurance, in analysis of welfare state typologies, there are only a few studies where means tested social assistance schemes dealing with poverty are deemed a crucial institution in forming typologies. Leibfried's (1992) study of poverty regimes argued poverty policy of the welfare state is a significant testing ground for evaluating the level of social citizenship in Europe, and, in particular, focuses on the relationship between work (labour market) and welfare as embodied in the social citizenships. He added a fourth regime to Esping-Andersen's threefold division of welfare regimes 'Latin Rim' of southern countries of Western Europe, characterised by a 'rudimentary welfare state', which proclaims a right to both work and welfare, *albeit* it is exercised partially.

Lødemel and Schulte (1992) discussed development and features of minimum income or social assistance schemes in several European countries to analyse the extent to which they affect dominating welfare state models of Titmuss and Esping-Andersen. On this basis, Lødemel (1992) identified four welfare regimes. The *Nordic* (Scandinavian) regime is depicted as marginalized or residual social assistance⁴ through the extension of social insurance. Social assistance is locally administered

⁴ Compared to other regimes, very poor able-bodied people are the main target group in Nordic countries (Lødemel and Schulte, 1992: 22).

with a high degree of discretion and a strong emphasis on social work treatment. The *British* cluster (UK) is characterised by extensive and integrated social assistance with limited social insurance. It offers centralised means tested assistance with strong entitlement conditions and little social work involvement. The *Continental* (Bismarkian) regime is described as less integrated social assistance with social insurance than the British regime. Social assistance schemes of countries in this category represent an intermediate position of centralisation between the British and the Nordic regimes. The *Latin* cluster (France, Mediterranean and Southern European countries) shares the feature of less developed general social assistance, which forces numerous groups to rely on the family and voluntary sector, however classifying this cluster needs to be done with caution.

The two typologies of welfare state regimes above are closely connected with Esping-Andersen's model. By contrast, the comprehensive comparative analysis of social assistance programmes in OECD countries of Eardley et al. (1996a, 1996b) and Gough et al. (1997)⁵ arrives at a quite different conclusion. On the basis of data on social assistance arrangements in the early 1990s, they identified eight distinct social assistance regimes.

- *Selective welfare systems*: including Australia and New Zealand. This model is unique in that all benefits are means tested. There are a number of programmes that are categorical and rights-based. The means testing is carefully constructed and monitored and is implemented in a consistent way. Assets, earnings disregards, and benefit levels are relatively generous.

⁵ A later article based on the results of Eardley et al.'s study.

- *Public assistance state*: including the USA, with an extensive set of means-tested benefits hierarchically organised with regard to acceptability and stigma. Benefits are variable and tend to be low. There are tough assets-tests and strong work incentives but fixed earnings disregards, and procedural rights are well entrenched.
- *Welfare states with integrated safety nets*: including Britain, Ireland and Canada, with large, national, general assistance schemes providing an extensive safety net at around social insurance levels. Benefits are granted as a right, and there are important disregards with some incentives for people with children (Family Credit). In the case of Britain, when Housing benefits are taken into account, benefits are above the OECD average.
- *Dual social assistance*: including Germany, France, Belgium and Luxembourg, with categorical assistance schemes for specific groups, supplemented with a rights-based general safety net, though there is a degree of local discretion within a national regulatory framework. Assets tests and earnings disregards are moderately flexible but benefit levels are below average.
- *Citizenship-based but residual assistance*: including the Scandinavian countries, except Norway, and the Netherlands. Each country in this category has a single general scheme with relatively high benefits. There are locally administered and financed schemes, guided only by national regulatory frameworks, and links with social work and social care continue to exist. Strict means tests combine with a view of family financial responsibilities which lay more emphasis than in most countries on the individual and citizenship-based appeal systems. A tradition of universal welfare state and/or full employment leaves a marginal or residual role to social assistance until the early 1990s.
- *Rudimentary assistance*: including Southern Europe and Turkey, with national categorical assistance schemes covering mainly older and disabled people.

Otherwise there is discretionary relief provided by municipalities or local religious charity organisations. Means tests are not particularly strict but benefit levels are very low and for certain groups and geographical areas, non-existent. Apart from Turkey, obligations do not extend the nuclear family. Cash benefits are often linked to social work and other services.

- *Decentralised, discretionary relief*: including Norway, Austria and Switzerland. This model contains elements of the Nordic and Southern European models. Social assistance is localised and discretionary and linked to social work and wider kin obligations, but is claimed by few people while benefit levels are relatively high. This is partly because of the record of full male employment and partly because of low-take up, which is caused by stigma and the considerable powers of intervention entrusted to local social workers.
- *Centralised, discretionary assistance*: including Japan, and containing both features of the British and Alpine models, though Japan is difficult to place in the preceding categories. The Japanese social assistance is long-standing, nationally regulated with very little geographical variation. Yet the regime shares with the Alpine model, i.e. the decentralised, discretionary relief, wider family obligations, and stigma which tend to be wide spread.

The results of the social assistance regimes distinguished derive from the authors' own judgments in connection with three dimensions of countries' social assistance schemes: extent and salience, programme structure, and outcomes/generosity (Table 2.1). Table 2.1 points out criteria and measures used in the typology of social assistance regimes are complex and large. It is definitely more useful than existing welfare state models for the cross-national comparison of welfare states as well as social assistance provision and for analysing the role and features of minimum income schemes. The

above classification of the eight ‘social assistance regimes’ is partly contrary to the previous welfare state regime typologies. While the regime of Nordic countries remains almost unchanged, considerable changes are made to the others.

Table 2.1 Dimensions and indicators considered in Gough et al’s typology of social assistance regimes

Dimension	Indicator
Extent and Salience	<ul style="list-style-type: none"> • Expenditure on social assistance • Number of social assistance recipients
Programme Structure	<ul style="list-style-type: none"> • Centralisation v. Local variation • Rights v. Discretion • Individual entitlement v. Wider family obligations • Liberal v. Tough means-testing and work-testing
Outcomes/Generosity	<ul style="list-style-type: none"> • Benefit levels and replacement rates

Source: Gough et al. (1997).

Germany was first (Eardley et al., 1996a, 1996b) classified together with the UK, Ireland and Canada. It is a most astonishing classification of Eardley et al. (1996a) that allocated the Bismarkian country to the *Welfare states with integrated safety nets* together with the Beveridgean countries, whereas all other prevalent typologies classified Germany into a different cluster from these Anglo-Saxon countries (Behrendt, 2002: 8). Germany shares some of the features with this regime; social assistance is rights-based and largely regulated at the central government level. However there are also marked differences, e.g. social assistance in Germany is both administered and funded at a local level. Yet, Eardley et al. (1996a: 169) admitted that Germany can be deemed as a bridge to the cluster of the *Dual social assistance*

because there are some different features such as the existence of a separate unemployment scheme and wider family obligations, though these seem to be limited in importance. In contrast, the later article of Gough et al. (1997) placed Germany more traditionally in the *Dual social assistance* together with France, Belgium and Luxembourg, separated from the British model.

On the other hand, Saraceno (2002: 24) argued for grouping all the Southern European countries together in one label of the *Rudimentary assistance regime*. The author insisted Spain and Portugal since 1998 could be allocated in the *Dual social assistance* regime since general safety nets that supplement the categorical assistance schemes have been established in the two countries. Moreover, while Gough et al. pointed out the significant role of voluntary organisations such as non-profit, charitable, and religious agencies in the residual regime, they did not take it into account in the dual social assistance and the integrated safety nets regimes. Saraceno also claimed that other measures which might affect the typology, in particular, requirement to seek work for the unemployed and lone parents are somewhat underplayed. In practice, both the role of the voluntary sector and the ways social assistance recipients' obligations are defined are crucial elements for evaluating how social assistance works in the real world.

A recent study by Kuivalainen (2004) comes with a slightly different picture from Eardley et al. and Gough et al. Using more recent data and more variables, she analysed social assistance in six European countries (i.e. Sweden, Germany, the UK, Finland, Ireland and the Netherlands representing different welfare state models), utilising the notion of welfare production and social rights. Her study established social assistance clusters on the basis of four core dimensions: extent (inputs),

entitlement rules (production), generosity (outputs) and the incidence of poverty (outcomes). The main interest was in general social assistance.

Sweden and Finland were placed in the Nordic cluster, which is consonant with previous studies. The extent of social assistance in the two countries is rather marginal and the entitlement rules are strict, but social assistance provides relatively high levels of support and people on social assistance are protected well against poverty. The Dutch scheme is clustered together with the Nordic schemes. After the withdrawal of categorical type of unemployment assistance and the introduction of more extensive general social assistance in 1996, the Netherlands has moved more towards an all-encompassing scheme with high levels of outputs and outcomes. In previous work, Britain was classified together with Ireland and Canada. In her study, however, the British scheme is much closer to the Nordic and Dutch schemes. The extent of general assistance has decreased (while that of categorical assistance Jobseekers' Allowance has increased) during the 1990s. Moreover, the British scheme has relatively generous entitlement rules and strong protection against poverty with higher benefit levels than Germany and the Netherlands representing the conservative welfare state regime. The most distinguishing feature of Ireland from Britain and other countries is that the Irish scheme failed to alleviate poverty amongst households receiving social assistance, with relatively strict means-testing. Ireland's spending on social security as a percentage of GDP is relatively low. Yet the role of social assistance within the social security system is low, indicating the extent of social assistance is rather marginal. While Ireland and Britain have similarity in that both countries have various categorical social assistance benefits, and general assistance is mainly provided for those who are non-able-bodied (thus no work-test for the recipients) and the unemployed are covered by separate schemes.

In the next part of this section, the following key features of social assistance in OECD countries in the early 1990s, referring to all categories of means or income-tested benefits, including general, categorical, housing, and other tied assistance are presented: patterns and trends, conditions of eligibility, administration and delivery of social assistance benefits, benefit levels and work and incentives.

2.2.1 Patterns and trends

Table 2.2 shows government spending on cash social assistance as a share of GDP between 1980 and the early 1990s. In 1992 the level of funding on social assistance varied from 0.2 to 13 per cent. Some countries spend substantially on it. New Zealand, where almost all benefits are resource based stands out - spending 13 per cent of GDP - followed by Australia, Ireland and the UK, which means the social protection of English-speaking countries rely more on means tested benefits than the other countries. Those spending little on social assistance (less than one per cent of GDP) are composed of different sorts: Portugal and Greece⁶, Turkey, Japan, Belgium, Luxembourg, Switzerland, Finland, Iceland, Norway. In most continental EU member countries, categorical assistance schemes for specific groups are more important than general assistance programmes. Tied benefits including housing benefits are prominent in the UK, France, and Sweden.

⁶ The only two countries that lack any kind of general, non-categorical assistance programme, whereas that of Turkey is very limited and those in Spain and Italy vary clearly between regions (Gough et al., 1997: 20).

In spite of the differences amongst the OECD countries, so far as definitional uncertainty is allowed and comparable data are available, it is found that between 1980 and 1992 the share of social assistance expenditures rose in all countries, especially Australia, New Zealand, Ireland and the UK, except Japan and Switzerland⁷. While the proportion of beneficiaries increased significantly in most countries, particularly in the UK, Australia, Canada, Ireland, Germany and the Scandinavian countries except Japan, Austria and New Zealand (Eardley, et al., 1996a: 32-46).

The unemployed and disabled and lone parents have become the most rapidly growing groups who depend on social assistance benefits, therefore they seem to be the main factors that trigger the expansion of social assistance provision shown above. The impact of older people as a group, however, has become a less significant factor – the result of widespread improvements in social insurance (Gough et al., 1997). In fact, this is a similar pattern to the changes in poverty and the composition of the poor in Europe, called the ‘new poverty’ (Room, 1990).

2.2.2 Conditions of eligibility

Earlier studies have proved that on the international level, the main preference of social assistance schemes is to provide protection only to those categorically poor (Eardley, et al., 1996a; Ditch, 1999). Only in the Scandinavian countries are minimum income guarantees provided through generalised, all encompassing, means-tested benefits. In Southern Europe and Turkey, national categorical assistance covers certain groups, mainly the elderly, disabled, and the unemployed together with unemployment

⁷ The only two countries to have registered a declining share.

Table 2.2 Cash social assistance as a proportion of GDP, 1980-1992

Country	1980	1985	1992	Change 1980-92 (% of GDP)	Index 1992/1980 1980 = 100
Australia	5.4	6.0	6.8	1.4	126
Austria	1.0	1.0	1.3	0.3	124
Belgium	0.4	0.6	0.7	0.2	156
Canada	1.6	2.0	2.5	0.9	156
Denmark	N/A	0.9	1.4	Na	Na
Finland	0.7	1.1	0.4	0.3	438
France	0.6	1.0	1.3	0.7	205
Germany	1.0	1.6	1.6	0.6	160
Greece	0.1	0.1	Na	0.0	100
Iceland	N/A	Na	0.2	Na	Na
Ireland	3.0	4.5	5.1	2.2	174
Italy	1.1	1.3	1.5	0.4	135
Japan	0.4	0.4	0.3	-0.1	60
Luxembourg	N/A	Na	0.4	Na	Na
Netherlands	1.7	2.5	2.2	0.5	133
New Zealand	8.6	9.2	13.0	4.4	151
Norway	0.1	0.3	0.7	0.5	486
Portugal	0.2	0.6	0.4	0.2	22
Spain	0.3	0.8	1.2	1.0	473
Sweden	0.8	1.2	1.5	0.7	186
Switzerland	N/A	na	0.8	na	n/a
Turkey	N/A	Na	0.5	Na	Na
UK	1.8	3.0	3.9	2.1	212
USA	1.1	1.0	1.3	0.2	115

Note: Cash social assistance includes general and categorical assistance, but excludes housing and other tied assistance. However, housing assistance is included for numbers of France, Sweden and UK.

Source: Reconstructed Table from Eardley et al. (1996a: 37, Table 2.4).

assistance (usually available only on a temporary basis) and families with children. Otherwise, local, discretionary assistance is provided by municipalities or religious charitable organisations. In the UK and the other Northern European countries, one primary and inclusive national assistance programme, together with some categorical assistance schemes for specific groups such as Family Credit and Disability Working Allowance in the UK, is organised.

Social assistance schemes in the majority of OECD countries adopt a minimum age, set mostly at the age of 18 years, confirming parents' responsibility for supporting their children. There are some countries which set a higher age: 25 years in Spain⁸ and France, and 30 years in Luxembourg, though people with dependent children (including those pregnant) and people with disabled dependents are generally not included in the formal age limit. This minimum age threshold also needs to be seen within the context of wider policies on access to non-means-tested unemployment schemes as well as youth training and labour market, while these sorts of provisions seem to embody some problems since placements are not always possible or suitable (Behrendt, 2002: 90; Ditch, 1999: 126). Parts of the population are also excluded from eligibility because of nationality and residence conditions. Over half of the assistance schemes in the OECD world require the applicants to be national, citizen or resident, and these requirements limit the entitlement to social assistance benefits for some groups such as recent migrants, particularly refugees or asylum seekers.

⁸ Except the regions of Andalucia, which has a minimum age of 35 for applicants who live alone, and Aragon, where the minimum age is 18 years. For more detail, see Aguilar et al. (1995) (quoted in Guibentif and Bouget, 1997: 13).

2.2.3 Conditions of entitlement

In various countries only the resources, i.e. savings and assets, as well as income of the applicant and the spouse or partner, in the case of couple, are taken into account. But several countries require an extended family support, i.e. the income of other people living with the claimant, in particular his/her children is also assessed (Austria, Germany, Switzerland and Japan). At the other extreme, in the Nordic countries the resources of a partner living with the applicant, unless they are a married couple, are not taken into account.

The level and the type of components that are exempted or discounted from means testing are varied and based on different countries' expectations of family responsibility, the emphasis placed on work incentives, social attitudes towards lone parenthood and cohabitation, and the relative position and importance of means tested assistance programmes within the social protection systems (Eardley et al., 1996a). Here the patterns are somewhat different from those expected. There are some countries with relatively high earning disregards such as Australia, New Zealand, Ireland, Germany and the USA. By contrast, in the Scandinavian countries, Southern Europe, Turkey, Austria and Switzerland, there are no or minimal disregards, and the situation is not clear in the case of Japan. Only the UK and Ireland have limits to the number of hours claimants can work and still receive benefit. In relation to the assets test, assets are treated less strictly in the English-speaking countries with the extensive social assistance schemes, except the US programme of AFDC⁹, and the strictest assets tests

⁹ Aid to Families with Dependent Children, which is a categorical assistance programme.

are found in the Nordic countries, Japan, Austria and Switzerland.

In relation to family obligations, the nuclear family rather than the household is taken as the benefit unit and the resource unit in most countries, with some exceptions where the household is the norm of the benefit unit, which derives from a wider concept of family obligation,¹⁰ such as Japan, Switzerland, Austria, Portugal, Turkey and the USA.

In various countries, as an element within the general social assistance payment, all or parts of the housing costs are provided only for social assistance beneficiaries, and are provided in other separate and general means-tested housing benefit schemes for all kind of people with low-income. Only Spain, Italy and Turkey are those which do not have either of these (Ditch, 1999: 124).

2.2.4 Administration and delivery of social assistance benefits

In relation to organisation and implementation of social assistance benefits, there is a marked contrast between countries where schemes are administered at the centralised, integrated and national levels, with common rules of eligibility and payment levels, such as the UK, Australia, and the USA, and those in which local governments have substantial power, such as Norway, Italy and Switzerland. However, there is a wide variation in the degree of central-local responsibilities between countries. Some similar features of the administrative process, such as methods of application and payment,

¹⁰ In Austria, the concept of family obligation is extended to grandchildren for their grandparents, and grandparents for their grandchildren, and even to uncles and aunts for their nephews and nieces in Portugal (Guibentif and Bouget, 1997: 19).

reporting requirements on claimants, and recovery of overpayment, are found, at least in principle, in the majority of OECD countries (Eardley, et al., 1996a, 1996b).

2.2.5 Benefit levels

To estimate the levels of social assistance in the OECD countries, Eardley et al. (1996a) have adopted the 'model families income matrix' methodology, comparing the data collected from national informants on the impact of different social assistance benefits on a selection of model families in specified circumstances. A variety of family types that might be dependent on social assistance benefits have been chosen, and there are three income packages: social assistance, social insurance, and the working for national average male earnings. Common assumptions have been specified with regard to housing costs, local taxes, health costs and the costs of schooling and pre-school child care. All income relating to 1992 has been converted using OECD purchasing power parities (PPPs), which are generally more satisfactory than exchange rates, though they have some limitations. One limitation of the 'model family' approach, used by Eardley et al., however, is that in case of countries¹¹ where assistance programmes vary from municipalities to municipalities and there are immense regional variations in benefit levels, it seems difficult to discuss a national social assistance system and their analysis only applies to the particular region chosen.

The analyses done by Eardley et al. (1996a) point out that there are considerable variations in the income values of families dependent on social assistance benefits

¹¹ Such as Switzerland, Austria, Spain, Italy, the Nordic countries, and Canada (to a lesser degree).

between countries and even within countries, according to different family types and comparison made before or after housing costs. Table 2.3 shows a composite ranking of countries by taking the total amounts, in PPPs, paid to nine family types, expressed as a proportion of the mean for all OECD countries. In the case of the USA, because of the degree of regional variations, benefit levels for four separate states – New York, Pennsylvania, Florida and Texas – varying from among the most to the least generous have been analysed. The results are presented both before and after housing costs. Top of the table, after housing costs, come Iceland and Switzerland, heading a group which includes the Nordic countries, Luxembourg, the Netherlands, Australia and Italy all with social assistance levels over 20 per cent above the mean. However, the figures for Italy are considerably unreliable (Eardley et al., 1996a: 129-130). At the bottom come a group all with levels of over ten per cent below the mean. This includes the US states except New York, Belgium, New Zealand and the Southern European countries. In between are the UK, the USA (New York), Japan, France, Canada and Germany.

Overall, amongst the group of which countries have the highest levels of social assistance benefit, the Scandinavian countries and Switzerland have common features: relatively high levels of GDP per capita, traditionally low levels of unemployment, and residual social assistance schemes administered at the local levels. Furthermore, replacement rates are high but there are strict mean tests with no or minimal capital and earnings disregards, and in the Nordic countries, strong arrangements to encourage labour participation in the Nordic countries (Eardley et al., 1996a: 109-138). To sum up, level of benefit seems to be in inverse proportion to numbers of recipients, i.e. when a country has only a small number of beneficiaries, it can have relatively high levels of social assistance benefits.

Table 2.3 Social assistance percentage difference from the mean (1992)

Country	%	
Iceland	50	(49)
Switzerland	41	(91)
Luxembourg	35	(32)
Netherlands	33	(16)
Finland	31	(-5)
Denmark	29	(26)
Italy	28	(0)
Australia	28	(15)
Norway	25	(38)
Sweden	24	(17)
UK	11	(-19)
Japan	8	(1)
USA (New York)	6	(8)
France	4	(28)
Ireland	2	(-15)
Canada	2	(26)
Austria	-2	(-29)
Germany	-5	(-32)
Belgium	-12	(1)
New Zealand	-18	(-4)
USA (Pennsylvania)	-23	(-24)
Spain	-41	(-45)
USA (Florida)	-64	(-27)
USA (Texas)	-85	(-40)
Portugal	-90	(-63)
Greece	-119	(-91)

Notes: Disposable income of recipients of social assistance after housing costs in purchasing power parity £ sterling, expressed as a proportion of the mean for all OECD countries: average for nine family types. Numbers in brackets exclude housing costs.

Source: Eardley et al. (1996a: 130, 131, Table 6.7a & 6).

2.2.6 Work and incentives

In most countries, recipients for social assistance benefits are required to seek work and are offered incentives to work. In these countries, availability to take a job is an essential requirement so as to receive benefits, which means the recipient is usually registered with the employment services. Although the work-seeking requirement is not a formal rule in Greece,¹² Switzerland, Japan and a region of Iceland, it seems that there are strong expectations that applicants will make full use of their capacities (Ditch, 1999: 130; Eardley et al., 1996a: 147).

In virtually all countries, only some categories can be exempted from work tests – people who are ill or disabled, or older people, and in a few countries such as Austria and Luxembourg, students or people who have to care for dependent children (Guibentif and Bouget, 1997: 15). However, the major variations relate to lone parents, especially to the age of children who exempt lone parents from the work-seeking requirements (see Eardley et al., 1996a: 147-148).

A range of mechanisms are intended to encourage recipients to return to work in some countries: vocational training arrangements, job search programmes, earnings disregards in the means testing, loans and grants for work experiences or self-employed business start-up. Municipalities or social institutions are obliged to implement or provide special employment schemes in Belgium, Denmark, France, Germany, Luxembourg, the Netherlands, Norway, Spain and Sweden. Specific positive incentives are also identified

¹² Where general assistance payments are only provided on a one-off basis and work tests are irrelevant for regular eligibility.

in Australia, Ireland, the UK and the USA. In these countries, the agencies which have responsibility for administration of social assistance schemes work in close cooperation with employment services, and implementation of the employment schemes may depend on collaboration between some ministries¹³ (Guibentif and Bouget, 1997: 36). In most countries, there are sanctions which recipients may suffer if they refuse work tests or work-seeking requirements. The negative incentives take the form of partial or full suspension of benefits.

In addition to the relationship between generosity of benefit and small numbers of recipients, which is derived from the common features of the Nordic countries with the highest levels of benefit shown above, Eardley et al. (1996a) suggest a triangular model – adding labour participation policy. Countries can perhaps have higher levels of benefit, only when social assistance benefits are not important elements of the unemployment benefit system, so they have a small number of claimants, and when there are strong labour participation policies. Therefore it seems difficult to combine active insertion policies when social assistance benefits are relatively low and they are an important component of the benefit system for the unemployed so numbers of beneficiaries are large.

2.3 Development of social welfare in Korea

Until the early 1960s, Korea was one of the least developed countries, which was based on agriculture and Confucianism. The Choson dynasty, which lasted over 500 years,

¹³ For example, the ministries of employment and education as well as the ministry of social affairs appear to be involved in the implementation in France and Luxembourg.

was ended and colonized by Japan in 1910. Under the thirty-five years of Japanese colonial rule (1910-1945), relief-giving was provided as an expedient, short-term emergency treatment for political purposes rather than ideological responses to welfare need (Hwang, 2002: 55; Kim, K., 2000: 175). The Japanese Poor Law, which was established in 1929, was introduced in Korea in 1944 and named Chosun Poor Relief Order of 1944. It was introduced in Korea because there was an urgent need from the Japanese colonial government for conscription and labour requisition for military purposes. The Japanese occupation left a notable legacy of militaristic, bureaucratic, authoritarian political culture and the state became a powerful actor (Hwang, 2002; Kim, 1991).

After the colonial period, the concept of the welfare state was adopted by the first Republic of Korea (1948-1960), of which the first Korean president Syngman Rhee was given political favour from the American military government. Yet the corrupted and indulgent bureaucratic authoritarian regime could not see welfare or labour policy as a structural necessity for modernising a capitalist society due to the lack of an economic infrastructure (Goodman and Peng, 1995: 25; Lee, 1999b: 26). During this period, welfare was operated mainly as charity and emergency relief organised and funded by international humanitarian or aid organisations, as well as massive American military and economic aid. The country itself was one of the largest beneficiaries of foreign aid. People were suffering from poverty, loss and bereavement and absolute poverty was natural and widespread throughout the whole country.

The Korean welfare state was laid down by the authoritarian Park and Chun regimes, which began in 1961 and lasted until 1987 (Kwon, 1998; Lee, 1999b). Between 1961 and 1996, Korean economy performed one of the highest growths in the world, under

the 'authoritarian developmental state' (Johnson, 1988) or 'developmental state' (Gough, 2001a), which placed almost exclusive emphasis on economic development, while making relatively little commitment to develop social welfare system. The developmental state used social policy to build political legitimacy, which is a characteristic noted in the development of European social policy in the 1800s (Joo, 1999; Gough, 2001a; Hwang, 2002; Ku, 1998; Kwon, H., 1999a; 2002, 2003).

These characteristics are not confined to Korea but also can be found in other East Asian countries. In fact, East Asian countries introduced the first social security programmes at lower levels of modernization or socio-economic development than European countries (Hort and Kuhnle, 2000: 167-8). This suggests the developmental states in this region performed good economic growth for last decades by adopting social welfare programmes as policy instruments for economic development (Aspalter, 2006; Goodman and Peng, 1996; White and Goodman, 1998; Gough, 2001a; Holliday, 2000; Kwon, H., 2003, 2005). The East Asian welfare states, at least Hong Kong, Japan, Korea, Singapore and Taiwan, share important characteristics: a development ideology that subordinated welfare to economic efficiency and growth, discouraged welfare dependency on the state, promoted social and private resources of welfare including family, firm and community, and diverted the financial resources of social insurance to investment in social and physical infrastructure (White and Goodman, 1998: 17). In addition, the developmental states play the role of regulator, rather than direct provider, to expand social protection programmes without a direct financial burden (Kwon, 1997). Social insurance programmes in Korea and Japan are examples.

Korea also shares the features of the developmental state. Social welfare in Korea had been primarily the responsibility of the family, companies and non-governmental

organisations (NGOs)¹⁴, and public spending on the social security system was low. Total social expenditure including both public and private expenditure represented only 5.3 per cent of GDP in 1996 – one of the lowest levels amongst the OECD member nations, and mandatory private expenditure amounted 1.4 per cent – the second lowest level after Italy amongst the countries. This indicates the Korean welfare system under the developmental state heavily relied on the private sector, while there was relatively little commitment from the State. Until the 1997 economic crisis, this arrangement seemed to be adequate in the context of rapid economic growth with full employment combined with great employment stability and relatively low levels of unemployment, poverty and income inequality (see Chapter 4). While the economy grew fast, the number of unemployed people was small and those who were unemployed relied on their families or on their savings as a safety net (Kwon, 2005: 3). Under these relatively stable socio-economic conditions, such dynamics of economy had been the main source of Korean people's welfare (Kim, 2005: 4) and, accordingly, there was no urgent need for establishing an elaborate welfare system. It thus took a long time for Korea to take shape of a welfare state.

A wide range of welfare-related laws, including those related to health insurance, disaster relief, veteran's welfare and child welfare services were enacted in the early 1960s, but many of them remained dormant: mainly those of instrumental value were put into effect (Lee, 1999b). These included social assistance programmes (1961), pension schemes for military personnel (1963) and government employees (1962), as well as workmen's industrial accident compensation insurance in 1963, along with a

¹⁴ Almost 1,400 NGOs, about half of which receive public funding, are involved in the operation of local welfare centres (OECD, 2000b).

pilot programme for health insurance.

The Livelihood Protection (LP) Act of 1961 was the first statutory provision of social assistance in Korea, though the budget for the assistance scheme was not allocated until 1969. It was mainly a rewrite of the Chosun Poor Relief Order of 1944, which provided subsistence assistance only to those categorically poor and unable to work. The LP programme had the aim of providing a minimum level of relief, having a very strict entitlement condition and providing a living allowance, medical care and educational costs etc. only for those unable to work and aged under 18 and 65 and over. Those aged between 18 and 64 were thus excluded from coverage even if their income fell below the minimum income levels, since they were regarded as having earning ability and not deserving income support (Kwon, 2002). Thus the LP was based on the residualist approach (Yi and Lee, 2005) and covered only a small segment of the poor. It lasted for about forty years until 1999, while there had been partial changes in its contents.

Two major pieces of social security legislation came into being during the 1970s. One was the National Welfare Pension Act of 1973 and the other was the revised National Health Insurance Act. Implementation of the former was postponed due to the oil crisis in 1973. In 1986, the National Welfare Pension Act of 1973 was rewritten and renamed the National Pension (NP) Act and eventually put into effect in 1988. The National Health Insurance (NHI) Act (first enacted in 1963) was revised and put into effect in 1977.

In the field of social welfare services, the Welfare Act for the Elderly, and the Welfare Act for the Disabled were enacted in 1981 and revised in 1984, and the Law for the Education of Pre-school Children was legislated in 1982. Subsequently, the Welfare Act

for Children was enacted in 1984 to incorporate the universal perspective of child welfare services. The Maternity Health Care Act was revised in 1987 and the Maternity Welfare Act was legislated in 1989.

The democratic transition after July 1987, followed in December 1987 by the first direct presidential election in 17 years was a turning point for the social welfare system in Korea. Between 1988-1997, virtually all types of social security programmes came into effect, with the exception of family allowances. The minimum wage system was introduced in 1988. The NP scheme was finally reintroduced in 1988, as stated above. By 1989 the NHI scheme was able to cover the entire population with the Health Benefit that is a non-contributory means-tested benefit for people with low-income. Unemployment insurance named the Employment Insurance (EI) programme was introduced in 1993 and implemented from 1995. Yet the social security system in Korea was still used and developed with consideration for politico-economic necessity (Deyo, 1992; Joo, 1999; Shin, 2000: 101). The social security system was not designed to embody a guaranteed social right, instead relying on social insurance schemes, in which the government did not take responsibility for financing (Shin, 2000: 86-87). Even the social insurance programmes were underdeveloped or premature because they were at an early stage of development.

The outbreak of the 1997 economic crisis triggered reform of the social welfare system in Korea. The developmental state that had thrived on expansion and growth over the past thirty years was sternly tested in terms of its effectiveness of the social protection system during the Asian economic crisis of 1997-8 (Kwon, 2005: 3). In fact, Korea was one of the hardest hit countries by the crisis. The crisis has made a profound impact, not only on the Korean economy but also on social development. As the Korean economy

recorded negative growth in 1998 from a positive growth rate of five per cent in 1997, the unemployment rate reached 8.6 per cent in February 1999, the highest point since 1980s (NSO, 2001b). Moreover, the poverty rate based on the minimum living standard, which was about 40 per cent of the median income, soared dramatically to 12.6 per cent in February 1999 from 3.1 per cent in 1996 (Park, 2000).

The developmental state could not cope well with the sudden rise in the unemployment and poverty. The existing social protection system was not well designed or equipped to address the socio-economic conditions, because it had been based on the assumption of full employment and low poverty and, therefore, minimal support for those who are unemployed and poor (Kwon, 2005). The categorical social assistance programme LP was based on the residualist approach, providing a minimum level of relief with strict eligibility criteria and a low level of benefits for those incapable of working. It thus covered only three per cent of the population in 1997 and only 26.2 per cent of the recipients received cash benefits. The NP scheme did not cover those self-employed living in urban areas. The NHI scheme began to cover the whole population. Yet there were more than 400 health insurance societies within it with different contribution rates and independently managed funds for different workplaces and geographical areas, and their financial situations varied considerably. This caused inequity in healthcare financing and a chronic fiscal instability of insurance societies for rural self-employed workers (Kwon, S., 2003; Lee, 2004). The latest social insurance programme the EI programme (i.e. unemployment insurance) covered only four million employees (20.6 per cent of total employees in 1997). Therefore although regular wage and salary workers in firms over a certain size were well covered by the social insurance schemes, the majority of irregular workers and those in small firms, i.e. the most vulnerable to unemployment and poverty were out of the social protection

system.

The social and economic consequences proved that the negative social impact has become greater due to the relative neglect of the development of institutions for social protection during the decades of economic development. Thus the Korean government was continually and strongly requested by civil society and the IMF¹⁵ to establish an adequate social safety net to cope with the unprecedented social problems produced by the shock of globalization.

In the wake of the economic crisis, welfare reforms came to be appreciated as an institutional means for ideological responses to welfare need for the first time in Korean history. In response to the demand from civil society organisations to introduce a comprehensive social safety net, the Kim Dae-Jung government, inaugurated in 1998 just after the crisis, made clear its departure from the previous pre-crisis developmental state model with the family and economic growth as the best welfare policy. Instead the government announced the 'productive welfare' aiming to secure a minimum living standard for all citizens (Presidential Office, 1999, 2000; for further details, see Jung, 2002). In order to cope with the problems of soaring unemployment and poverty, the government has given priority to the strengthening of social protection systems by

¹⁵ The IMF made agreements with the Korean government focused on three agendas: a conventional IMF agenda; a US trade- and investment-opening agenda; and a Korean-imposed institutional reform agenda (Mathews, 1998). But they included measures to strengthen and expand the social safety net, though the IMF's overall policy orientation in terms of social policy was not to place emphasis on developing a universal social security system (Shin, 2000: 100).

establishment of a social safety net – by reforming the EI programme and the social assistance programme. In 1998, coverage of unemployment benefit under the EI was expanded to cover all workplaces including temporary or part-time workers but excluding day workers. In 1999, previous categorical assistance was replaced by new general social assistance the NBLIS scheme, which aims to secure minimum living standards for those eligible regardless of their age and ability to work, and it was put into effect in 2000.

Following the reforms of social assistance and unemployment insurance, three other major social insurance schemes have been restructured and expanded. In 2000, the NHI scheme was transformed into a single insurer system by merging about 420 health insurance societies. Indeed, the integration of the health insurance has been regarded as one of the most important social security reforms as it is expected to solve the problem of inefficient management and little contribution to redistribution (Kwon, S., 2003; Lee, 2004). In 1999, another important change has been made in the NP scheme, which has been expanded to cover all the economically active population over 18. In 2000, the Industrial Accident Compensation Insurance (IACI) was also been extended to cover all workplaces. In addition to the existing four major insurance schemes, Long-term Care Insurance for older people is scheduled to put into effect from 2008.

It is evident that the State's role in social welfare policy has considerably expanded since the 1997 economic crisis. Yet public spending on social welfare as a percentage of GDP remains at the lowest level amongst the OECD countries, on the contrary, private spending on it is the highest level among them (OECD, 2004b). Thus commentators argue that even under the more democratic regimes, the legacies of the authoritarian regimes, such as low spending for the social protection system, the State relying on a

social insurance mechanism, welfare role of family, partnership between public and private sectors, avoidance of dependency on the State and the bigger role of private income transfers in mitigating poverty and inequality than public transfers, seem to remain intact (Choi, 2002; Joo, 1999; Hong, 2002; Hong and Song, 2006; Hwang, 2004; Kim, 2005; Kwon, H., 2001b; Park et al., 2002; Shin, 2000).

2.4 Limitations of the existing studies

The review of previous literature on comparative welfare states and social assistance regimes presented the development of typologies of social assistance during the past decades, and provided information on the extent and salience of social assistance in developed countries, conditions of eligibility and entitlement, administration and delivery mechanisms, benefit levels and work incentives in the early 1990s. Previous studies identified several types of social assistance regimes varying by studies but no more than eight regimes (Leibfried, 1992; Lødemel and Schulte, 1992; Eardley et al., 1996a; Gough et al., 1997; Kuivalainen, 2004). They have mainly focused on European countries (Leibfried, 1992; Lødemel and Schulte, 1992; Kuivalainen, 2004) or on the OECD member nations (Eardley et al., 1996a; Gough et al., 1997).

Yet none of the existing studies has suggested a clear model or regime type of East Asian social assistance schemes. There are two reasons. On the one hand, although there is a growing number of comparative studies of East (and Southeast) Asian social policy, in particular, in terms of East Asian welfare state models/regimes, social insurance schemes and social welfare reforms after the East Asian economic crisis in the late

1990s¹⁶, little attention has been paid to social assistance schemes in this region.

On the other hand, comparative social assistance research has also showed little interest in social assistance in East Asia and, consequently, there has been remarkably little cross-national analysis of social assistance schemes in the region. In fact, Japan was the only representative of the Pacific/Confucian regime that was included in a few studies on comparative social assistance on the OECD level (Eardley et al., 1996a, 1996b; Gough et al., 1997; Gough, 2001b). Korea was not included in the previous research because it joined the OECD later than the time of research. In the previous studies, commentators failed to place Japan both in one of the existing seven regime types and in a category of its own, instead concluded that Japan has elements of both the British and Alpine models. The analysis of only one country, in this case Japan, which does not have its own unique character but has an unclear and mixed image, might be insufficient to posit a social assistance regime representing East Asia. Almost all other social assistance regimes identified in the earlier studies, included at least two countries, except the public assistance state including the US only but having its own distinct character distinguishing from others (see Eardley et al., 1996a and Gough et al., 1997). If other East Asian countries were included, then there might be a possibility of identifying a regime type (or more than one type) of East Asian social assistance schemes.

¹⁶ This group of studies includes Aspalter (2006), Croissant (2004), Goodman et al. (1998), Goodman and Peng (1995, 1996), Gough (2001), Holliday (2000, 2005), Holliday and Wilding (2003), Hort and Kuhnle (2000), Jacobs (1998, 2000a, 2000b), Jones (1993), Kwon (1997, 1998a, 2005), Lin and Rantalaiho (2003), Ramesh (2003, 2004) and Walker and Wong (2005).

It is not only cross-national or comparative analysis of welfare state and social assistance regimes but also national and international social policy research, which has underestimated and neglected Korean social assistance. Previous research on Korean social policy shed light on the development of social welfare in Korea (Hwang, 2002, 2006; Joo, 1999; Kwon, 1999a; Lee, 1999b) and on the Korean welfare system in a comparative perspective or within East Asian welfare (state) models/regimes (Aspalter, 2006; Croissant, 2004; Deyo, 1992; Goodman et al., 1998; Goodman and Peng, 1995, 1996; Gough, 2001a; Holliday, 2000, 2005; Holliday and Wilding, 2003; Hort and Kuhnle, 2000; Jacobs, 1998; Jones, 1993; Kwon, 1997, 1998a, 2005; Ramesh, 2003, 2004).

Previous studies have also addressed welfare reform after the 1997 economic crisis (Kwon, 2002; Kwon, S., 2001; Shin, 2000), the mechanisms of income transfers (Choi, 2002; Hong, 2002; Kim, 2002; Kwon, H., 2001b) and income redistribution (Hwang, 2004), as well as social protection programmes in Korea, mainly social insurance such as national pensions (Choi, 2006; Kim and Kim, 2005; Kim, 2006; Kwon, 1998b, 1999b; Yang, 2004), health care insurance (Kwon, H., 2005; Kwon, S., 2003), unemployment policy including unemployment insurance and the unemployment benefits (Kwon, H., 2001a; Yi and Lee, 2005). The review of the existing literature on the development of the Korean welfare system has uncovered some important features of the Korean welfare system, but has sketched a pretty crude picture of social assistance in Korea. A few commentators (Kwon, 1998a, 2002; Lee, 1999, 2004; Shin, 2000; Yi and Lee, 2005) provided some basic information on the previous and new social assistance schemes, such as the development of Korean social assistance, the meanings of the introduction of general assistance in Korean welfare history, eligibility criteria, social assistance expenditure and the number of social assistance recipients

covered.

Yet, the previous studies are mainly descriptive rather than systematic or analytical in their nature and only a partial picture of Korean social assistance has been produced in a small space in their studies. Only in recent years has policy-making process of social assistance reform after the economic crisis, led by NGOs not by the government administration, appeared to attract the interest of national and international social policy towards Korean social assistance.¹⁷

In fact, social assistance in Korea has hardly been the focus of cross-national or comparative welfare state analysis as well as national and international social policy research. It may be because the Korean welfare system relies mainly on social insurance, and social assistance is concerned with a relatively small proportion of the population on low-income. However, social assistance is growing in importance in the Korean context since the 1997 economic crisis. First, after the 1997 crisis, the role of social assistance within Korean social security has considerably become large at least in terms of the volume of government expenditure. In 2004, spending on social assistance as a proportion of the total budget of the Ministry of Health and Welfare (MOHW), which administers most social security benefits, amounted to 42.4 per cent, while in 1997 that represented 31.6 per cent (MOHW, 2005d).

Second, the introduction of general assistance the NBLIS scheme was acknowledged as the most conspicuous achievement of the history of Korean social policy (Jung, 2002;

¹⁷ This group of studies includes Hwang (2002, 2006), Jung (2002, 2005), Kwon, H. (2003), Moon (2002) and Yeo et al. (2004).

Kim, 2005; Kwon, 2002; Lee, 2004, Moon, 20002; Yeo et al., 2004). Unlike the previous assistance scheme which had had a Poor Law tradition, the new social assistance scheme is designed to protect the social right and to guarantee a minimum living standard for all citizens (Jung, 2002; Kwon, 2002; Lee, 2004). Thus regardless of reasons for being poor, all the people earning less than the minimum living standard defined by the government have right to be guaranteed the minimum standard of living by the State. The social assistance reform replacing categorical assistance which lasted for about forty years by general assistance was one of the main agenda items of the productive welfare initiatives of the Kim Dae-Jung government, after the economic crisis shocked the Korean society in the late 1990s. Together with the replacement of the existing pre-crisis categorical assistance scheme, the State has recognised its responsibility for poverty and welfare for the first time in Korean history.

Nevertheless the new general assistance scheme has been criticised. First there is little difference in the total number of recipients covered by it. Second, the eligibility criteria remain strict so a large proportion of people or households with low-income are excluded from the final safety net. Third, the social assistance benefits are not effective enough in alleviating poverty, instead private transfers such as financial support from family and relatives contribute more to mitigating poverty. In consideration of the weakness of existing literature, there are needs for more analytical and systematic in-depth analysis on Korean social assistance. Therefore this study will bring social assistance in Korea, which has gained little attention from the mainstream of national and international social policy studies, as well as comparative welfare state research, into the analysis, and will analyse it in comparative perspectives. This research will contribute to increasing our knowledge and understanding of social assistance schemes on a comparative basis.

Chapter 3 Research methods

The aim of this study is to contribute to enriching our understanding of East Asian social policy and existing comparative knowledge on social assistance. The study analyses social assistance in Korea in comparative perspectives, combining qualitative information on the institutional frameworks and quantitative methods to present a comprehensive and comparative picture of Korean social assistance. The study adopts the combination of two approaches, i.e. institution-by-institution and group-by-group. The institution-by-institution approach emphasizes specific social security provision, such as pension schemes, unemployment benefits and social assistance schemes, in order to detect variation and homogeneity of institutional design. This approach thus focuses on the organisation of social policies. By contrast, the group-by-group approach focuses on the benefit packages available to individuals and households, and involves secondary analysis of national or international datasets. This approach is thus concerned with their income position and the distributive effects of policies on the individuals and households (Behrendt, 2002; Hauser, 1997). In Bradshaw (1994)'s typology, the former approach can be seen as micro studies of inputs and the latter one as micro studies of outcomes. The combination of the two approaches is expected to help to broaden the focus of this study while supplementing the blind spots each of the approaches has.

3.1 Comparison of previous and current social assistance in Korea

As stated above, this study aims to analyse Korean social assistance in comparative perspectives. The first comparison is done between the previous categorical and current general assistance schemes to see whether there has been any significant improvement or a regime shift within Korean social assistance. The following three broad criteria are

examined:

- *extent and salience of social assistance*: spending on social assistance and claimant numbers
- *programme structure*: eligibility and entitlement rules
- *outcomes/generosity*: the absolute and relative levels of benefits

The comparison is based on a variety of sources, including government documents, official statistics produced by government, government affiliated organisations and a number of think tanks, and national studies on the social assistance schemes and social welfare system in general. Acts and regulations related to social assistance are also collected to examine their principles and objectives.

3.2 International comparison

The second comparison is done between Korea and other countries. It is increasingly acknowledged that reaching a full understanding of welfare system in a single country is only possible if its experience is set in the context of those of other countries (Cochrane, 1993). In fact, cross-national analysis provides a better understanding of the domestic social policy environment. By examining how and why things are done differently in other countries, not only academics or scholars but also policy makers or political actors can learn from other nations' experiences, avoid mistakes which others have made elsewhere, and replicate their successes (Higgins, 1981; Madison, 1980; O'Higgins et al., 1990). This study thus puts Korean social assistance in a wider international context to see how far Korea constitutes a unique case or how far it differs from other countries. This forms the basis to place Korea within social assistance regime theory. The current general assistance scheme in Korea is compared with schemes (mainly general

assistance) in eight OECD countries, in terms of the following three measures, which are mainly derived from the dimensions and indicators considered in Eardley et al. (1996a)'s typology of social assistance regimes.

- *extent and salience of social assistance*: social assistance expenditure as a percentage of total social expenditure.
- *programme structure*:
 - conditions of eligibility (residence/nationality, minimum/maximum age, duration of benefit entitlement)
 - conditions of entitlement (benefit/resource units and resource testing)
 - availability for work (work test and incentives to work).
- *outcomes/generosity*: the relative level of social assistance benefits provided

3.2.1 Choice of cases

Korea is compared to eight countries representing different welfare state regimes (Esping-Andersen, 1990, 1999), poverty regimes (Leibfried, 1992) and social assistance regimes (Lødemel, 1992; Lødemel and Schulte, 1992; Eardley et al., 1996a; Gough et al., 1997). Britain, Germany and Sweden have been selected as paradigmatic cases for three distinct welfare states, discussed in Chapter 2, representing liberal, conservative and social democratic regimes, respectively. Portugal has been chosen as a representative of the Southern European model/Latin Rim. Additional two countries regarded hybrid welfare states have been selected: Ireland (a hybrid of liberal and conservative regimes) and the Netherlands (a mix of conservative and social democratic regimes). Finland is deemed a latecomer to the Nordic welfare regime, which joined it in the late 1980s (Kangas, 1994; Kuivalainen, 2004). In the ranking of Esping-Andersen

(1990)'s de-commodification score, Finland is placed in the conservative cluster with Germany and France, but in an analysis of social stratification it is situated in the socialism cluster with the Scandinavian countries. Thus Finland has been selected to a Nordic counterpart to Sweden. In fact, the last four selected do not fit clearly into one of the three clusters and there is some ambiguity in locating the four countries within welfare state or social assistance regime theory (Hill, 1996; Kuivalainen, 2004; Saraceno, 2002). Yet these cases would offer a better mirror and more comprehensive comparison than including only the three archetypes (Kuivalainen, 2004: 32).

Japan has been included as an East Asian counterpart to Korea. As illustrated in Chapter 2, Korea shares certain common points with Japan. For example, strong historical links (Goodman and Peng, 1995, 1996), developmental states (Gough, 2001a), low social spending (Jacobs, 2000a, 2000b; Jones, 1993; Finer, 1999) and the significant role of family and market in welfare provision (Aspalter, 2006; Fu, 2003; Hill, 1996; Kim, 2005; Scherer, 2003). In previous comparative studies of social assistance (Bradshaw and Finch, 2002; Eardley et al., 1996a; Gough et al., 1997), Japan was the only representative of the region. By including both Korea and Japan as well as European countries, this study is expected to present various aspects and characteristics of East Asian and European social assistance regimes.

There are some limitations of the selection of countries. First, North America (e.g. USA) and Australasia are excluded from this study. In the case of the US, the degree of variation between states is significant, thus it would be rather difficult to obtain a uniform and reliable picture of social assistance in this large federal country. On the other hand, social security systems in Australia and New Zealand are almost entirely means-tested or income-related, using an approach that they are not focused solely on

those with minimum incomes (Eardley et al., 1996a: 27; Hill, 1996: 46). Given the fact that nearly all income maintenance benefits are means-tested, it seems rather difficult to determine precisely what constitutes last resort social assistance benefits (Kuivalainen, 2004: 33).

Second, in this study, Portugal has been included in the analysis of programme structure and generosity. Yet it was not possible to obtain data on expenditure and claimant numbers, other than information from Eardley et al. (1996a; 1996b) resting on 1992 data, which is too old for this study. Thus Portugal has been excluded from the cross-national comparison of the extent and salience. Owing to this, the Portuguese assistance scheme presented in the study is rather incomplete. In order to gain better and useful results, statistical and methodological manners should be improved and diversified.

3.2.2 Sources of data

Information on the institutional frameworks stems from various sources, including national and international data and statistical sources, national and comparative studies on welfare states and social security in general, as well as social assistance, and governmental documents, citizen advice handbooks and related laws and regulations.

Comparable data on social assistance expenditure and recipients are highly problematic (Eardley et al., 1996a; Kuivalainen, 2004; Puide and Minas, 2001). First, there are hardly comparative data on social assistance expenditure at the international level. Social Expenditure Database (SOCX) from the OECD includes information on public and mandatory private social assistance expenditure, but does not offer detailed information on general or categorical assistance for the member states of the OECD.

Eurostat statistics provide information about expenditure on means-tested benefits and social exclusion, but the inclusion of benefits is unfit (Eurostat, 2006; Kuivalainen, 2004). The lack of cross-national comparable data is crucial for comparative research on poverty and social assistance. In particular, there are hardly available data for comparative social assistance research on East and South-east Asia. SOCX from the OECD is the only exception that provides information on social assistance expenditure for Korea and Japan. Luxembourg Income Study (LIS) data provide quantitative data on income for Taiwan but do not include information on other Asian countries.

Second, estimates of the number of social assistance recipients are beset by similar problems to those of expenditure data or even more problematic (see Eardley et al., 1996a: 38; Kuivalainen, 2004: 71, 109). One of the major problems is the difference in the period of estimates. In Finland and Sweden, national statistics on recipients cover the whole calendar year, whereas in the other countries, i.e. Korea, Japan, Germany, Ireland, the UK and the Netherlands, estimates are based on a one-time measure. The number of social assistance recipients in the two Scandinavian countries, thus, seem to be considerably higher.

For this study, the data on social assistance expenditure and claimant numbers are derived from national official statistics. Year book of health and welfare statistics produced by the MOHW (Korea) and statistics collected by the National Institute of Population and Social Security Research (Japan) and Abe (2002) are used to analyse the extent and salience of social assistance in Korea and Japan. The data for six European countries, except Portugal for which no data are available, are derived from Kuivalainen

(2004) that collected information from national official statistics of each country.¹⁸ For the reasons stated above, like previous comparative social assistance research (Eardley et al., 1996a; Kuivalainen, 2004), expenditure and the recipient numbers are not wholly comparable and the comparisons made in the following chapters represent only a first attempt at making sense of the overall picture. The data on total social expenditure are derived from the OECD (2004b).

3.2.3 Purchasing power parities

In many comparative studies, purchasing power parities (PPPs) are used to eliminate the differences in price levels between countries. PPPs are a method of comparing the actual value of a currency in terms of purchasing power. They equalize the purchasing power of different currencies in their home countries for a given basket of goods and services. It is acknowledged that PPPs are generally more satisfactory than exchange rates (Eardley et al., 1996a; Bradshaw and Finch, 2002). They take into account of differences in the price of a common basket of goods in each country, and thus, are used to compare the standards of living in two or more countries. It is believed that PPPs

¹⁸ Finland: Yearly social assistance statistics produced by the National Research and Development Centre for Welfare and Health (STAKES); Sweden: Annual statistics on financial assistance based on individual data produced by the National Board of Health and Welfare; Germany: Statistics produced by Statistisches Bundesamt; the Netherlands: Statistics produced by the Ministry of Social Affairs and Employment and the Statistical Office; Ireland: Statistical information on social welfare services by the Department of Social and Family Affairs; the UK: Quarterly statistical enquiry by the Department of Work and Pension (formerly Department of Social Security).

reflect the long-run equilibrium value. While exchange rates vary day by day and fluctuate widely due to speculation of the money markets, accordingly, exchange rates are not considered to be best to compare countries' standards of living.

In this study, therefore, PPPs are used to compare expenditure and the value of benefits in Korea with other countries. The PPPs used here have been developed by the OECD (2001c and 2006). Most of the analysis in the study will be based on a comparison using £ sterling purchasing power parities. Table A.1 in the appendices provides a comparison of PPPs and exchange rates in 2001 – the year in which the cross-national analysis of benefit levels in this study relates to the situation.

There are, however, some limitations. PPPs are mainly used for aggregate data and are calculated for each country on the basis of the consumption patterns of an average household. Thus the use of PPPs may be misleading in the case of low income households, who may well have different consumption patterns from the average (Edin and Lein, 1997; Kuivalainen, 2004). There are also difficulties in the construction of PPPs themselves and they are not always regarded as fully accurate and reliable (Eardley et al., 1996a). Previous studies on comparative social assistance have shown that the relationship between exchange rates and PPPs tend to vary between countries (Eardley et al., 1996a; Kuivalainen, 2004). For the majority of the countries considered in this study, PPPs give a lower conversion to the \$ than exchange rates, with the only exception of Japan (see Appendix Table A.1). There are countries with big differences (over 30 per cent) between the exchange rates and the PPPs: Korea and Portugal. Therefore, although PPPs are considered as the most useful way of comparing the monetary values of benefit packages between the countries in this study, they should be taken as indicators of relative benefit levels rather than exact measures. PPPs have been

used here, yet the exchange rate calculation would have given different results.

3.3 Using micro-data

The third comparison is done between recipients and non-recipients using micro-data from the National Basic Livelihood Security Scheme Review Board (NRB). The NRB data were originally designed for the study of 'Reform Measure of National Basic Livelihood Security Scheme', which was initially commissioned in 2001 by the Ministry of Health and Welfare. The survey for the NRB data was carried out in 2001 by the NRB, consisting of a group of independent researchers in social policy and economics from universities and research institutes. The central aim of the study was to investigate the problems with which the new social assistance programme NBLIS, put into effect from 2000 is confronted and to develop the scheme.¹⁹ The NRB dataset provides information on NBLIS recipients and those who were disqualified from social assistance provision by eligibility criteria. Using the micro-data, the characteristics and determinants of being in poverty between recipients and non-recipients are assessed in order to explore whether there are differences or similarities between the two groups with low-income and to seek adequate anti-poverty measures for both.

The NRB data are also used to analyse the effectiveness of social assistance in Korea on poverty reduction. The data allow a detailed assessment of the income position of recipient households and actual outcomes. To obtain a comparative perspective, the effectiveness of social assistance in Britain on poverty alleviation is assessed on the basis of the Family Resources Survey of Great Britain (FRS). There are two reasons to

¹⁹ For a more detailed description of the NRB data, see Chapter 7 and Appendix C.

choose Britain as a counterpart. First, Britain is a mature social assistance country. Britain has a long tradition of poor relief and social assistance provision and means-tested benefits play a very important role in the social security system. The second reason is not an academic one but a practical one. The author could access a good dataset for Britain, i.e. FRS, while doing this research in the UK. FRS is a good survey dataset containing detailed information on socio-demographic characteristics and incomes of private households in Great Britain. The incidence and the intensity of poverty for a range of household types are analysed before and after social assistance benefits for both countries in the last two chapters of the study.

While the FRS database is a continuous cross-sectional survey with a rich sample, the NRB database is a one-time survey conducted in 2001, when only after a year of the implementation of the new general assistance in Korea. The NRB data were, in fact, the only one available at the time of starting this research for assessing the performance of the Korean scheme. This study thus focuses only on the direct impact of social assistance in the two countries on poverty, and does not consider trends over time, long-term effects or side effect.

Chapter 4 Patterns and trends in the extent and salience of social assistance

In this chapter, the extent and salience of social assistance in Korea are analysed. This chapter scrutinizes data on expenditure on, and recipients of, the previous and current social assistance schemes in order to examine whether or not there has been any significant improvement or differences within Korean social assistance. The Korean schemes are also compared with those in other OECD countries, mainly focusing on general assistance, in order to obtain comparative perspectives on the newly established general assistance scheme in Korea. First, the chapter begins with the background to current social assistance in Korea, i.e. demographic and socio-economic context, which are relevant for an understanding of the Korean social protection system, followed by brief information on the nature and structure of the social security system as a whole.

4.1 Background to current social assistance in Korea

4.1.1 Demographic context

The Republic of Korea is a small, populous country. Its population in 2004 was estimated as 48 million and density at 474 people per square kilometre, amongst the world's densest population (NSO, 2005). In the last decades, Korea's population growth has fallen steadily from 1.57 per cent in 1977 to 0.84 per cent in 2000 and 0.49 per cent in 2004, and the fertility rate also decreased to 1.16 in 2004 from over five in the 1950s, in fact, the lowest birth rate among the members of the OECD (NSO, 2001a and 2005). The crude marriage rate (i.e. the annual number of registered marriages per 1,000 population) has been declining since 1980 (6.4 per 1000 inhabitants in 2004), and the

number of divorces is rising rapidly to 2.9 per 1000 persons in 2004, from 0.6 in 1980 (MOHW, 2005d). This decline in the marriage rate and the increase in the divorce rate can mainly be attributed to changes in attitudes towards marriage and divorce and living arrangements that have occurred since then. The country had far lower estimated percentage of lone parenthood (7 per cent in 2000) than European countries except Greece, but the prevalence of lone parents is similar to Japan and Israel (Bradshaw and Finch, 2002; NSO, 2005).

Korea has the youngest population structure of all the OECD member countries after Mexico and Turkey (OECD, 2001a). In 2004, 19.6 per cent of the population was under 15, 71.7 per cent was aged 15 to 64, and just 8.7 per cent aged 65 or more (NSO, 2005). The ageing process is, however, among the most rapid in the OECD area. Indeed, as shown in Table 4.1, the proportion aged 65 and over is expected to increase to 37 per cent by 2050, and Korea's population, currently one of the youngest with a median age of 32 years in 2000, will be one of the oldest amongst the OECD countries in 50 years. Korea's elderly dependency ratio (i.e. the ratio of persons over 65 to those between aged 20 and 64), which is the third lowest in the OECD in 2000, is also projected to be the sixth highest in 2050 (OECD, 2001a). The speed of population ageing reflects the social changes accompanied by rapid industrialisation, as well as an active population policy to reduce fertility rate during the previous developmental era.

A strong tradition of family care and support for elderly parents has changed slowly over the past decades. Korea's rapid industrialisation has weakened the traditional pattern of family support. The percentage of households containing three generations has fallen slowly from 17.8 per cent in 1980 to 9.9 per cent in 2000 (NSO, 2001a). The

Table 4.1 Indicators of ageing populations in Korea and selected large economies

	Share of population 65+		Median age	
	2000	2050	2000	2050
Canada	12.6	25.6	36.9	45.2
China	6.8	23.6	30.1	44.8
France	16.3	27.1	38.0	45.5
Germany	16.4	28.4	40.0	47.4
Italy	18.2	35.5	40.3	52.5
Japan	17.2	35.9	41.3	52.3
Korea	7.2	37.3	31.8	56.2
UK	15.9	23.2	37.7	42.9
US	12.3	20.6	35.3	41.1

Source: Adema (2006); NSO (2005).

proportion of the elderly not living with a child but living alone or only with a spouse more than doubled (to 47 per cent) between 1984 and 1998 (OECD, 2000a: 123). In spite of the weakening of family ties, however, support from children remains to be the most important source of income for the elderly, though the importance is getting weaker (OECD, 2000b). Table 4.2 shows that in terms of financial support, the proportion of elderly people supported by their children fell to 44 per cent in 1994 from 64 per cent in 1988. By contrast, wage income, which is the second major income source for elderly people, has increased sharply in recent years – 38 per cent in 1994 from 26 per cent in 1988. A study of nine OECD countries²⁰ except Korea shows that four-fifths of the

²⁰ Including the following countries: Canada, Finland, Germany, Italy, Japan, Netherlands, Sweden, the UK and the US.

income sources for the elderly on average are pensions (both public and private) (OECD, 2001a: 83). Pensions are, however, a relatively unimportant income source for older people in Korea because the current public pension scheme, NP, has not fully matured yet – it does not begin paying regular pensions until 2008.

Table 4.2 Income sources for the elderly in Korea, 1988 and 1994, percentage of total income

	1988	1994
Pensions	1.2	3.9
Wages	26.3	37.6
Support from children	63.7	44.3
Savings and wealth income	6.8	6.9
Public assistance	1.8	3.5
Other	0.2	3.8
N	1,200	2,048

Source: Rhee et al. (1988, 1994).

4.1.2 Socio-economic context

One of the most impressive features of contemporary Korea is the remarkable economic performance since the early 1960s. From 1961 to 1997, Korea grew to become the world's 11th largest economy, with a per capita gross domestic product (GDP) exceeding US\$10,000, and became the twenty-ninth member of the rich nations' club, the OECD. In fact, it recorded the highest economic growth rates over the three and a half decades – over eight per cent of economic growth, more than three times of the world average growth rate of 2.4 per cent between 1990 and 1998.

Compared to European countries, the issue of poverty had not been an important one in Korean society, due to the high economic growth, with relatively low-income inequality²¹ and full or nearly full employment combined with great employment stability (e.g. lifelong employment) (Jung, 2005: 2-3; Kim, 2005: 4). Indeed, the average unemployment rate was 3.2 per cent between 1977-1997 (NSO, 2001a), and the average Gini coefficient explaining domestic income inequality, which was calculated on the basis of urban household expenditures, was 0.29 between 1975-1995 (Park and Kim, 1998).

Coinciding with this, the poverty rate for households based on the minimum living standards, which have customarily been accepted as an official poverty line in Korea and was about 40 per cent of the median income in 1996, was only 3.1 per cent of the total population of Korea (Figure 4.1). Moreover, according to the National Family Income and Expenditure Survey, the percentage of households living below the relative poverty line of 50 per cent of the median income in 1996 was 11 per cent (Park et al., 2002). Thus it is generally agreed that the problem of absolute poverty had considerably

²¹ According to national family income and expenditure surveys, income inequality in three East Asian countries, i.e. Korea, Japan and Taiwan, is about average amongst industrialised countries, and less severe than in Britain (Jacobs, 2000a). It is, however, a unique feature that the factor influencing the lower income inequality in the Asian countries is the relatively equal distribution of earnings between households, compared to social security in Britain, for example.

been resolved²², and the issue of relative poverty had yet to be addressed in Korean society.

However, the Korean economy, which had been a model for economic development, was shocked by the economic crisis in December 1997 and bailed out by an emergency rescue loan from the IMF. Yet, as conditions for the emergency loan, the IMF requested the Korean government to carry out economic reforms and much of the structural reforms were undertaken from public sector (bureaucratic structure), financial sector and corporate governance to the labour market. The IMF demanded a high interest rate to stabilize the Korean currency and avoid capital flight, discourage consumption and firms' investment, and restrain inflation pressure (Kwon, S., 2001). While the high interest rate, 22 per cent at one point in 1998, increased savings, it also led to the bankruptcy of a great number of firms and banks²³, most of which were small and medium-size ones. Traditionally Korean firms had maintained a high-debt-equity ratio, relying on bank loans (Wade, 1988). This made the Korean firms vulnerable to the abrupt rise in interest rate (Kwon, S., 2001; Kwon, H., 2001a).

With regard to the labour market reform, its main purpose was to increase labour market flexibility. A tripartite commission, the Employees-Employers-Government Committee, was launched in January 1998 for the purpose of reaching major issues on labour and

²² The problem of absolute poverty was believed to have been reduced to an insignificant minimum affecting only a small proportion of vulnerable groups, such as older people and disabled people (Ku, 2004).

²³ The number of banks decreased from 29 in 1997 to 20 in 1999 and 17 in 2001 (Park et al., 2003).

signed a total of 90 agreements. The agreements include structural adjustments that allow firms to lay off workers easily due to financial or managerial difficulties with some conditions and procedures for employment adjustments. They also include unemployment policies, expansion of social security programmes, and improvement of fundamental rights of workers and working conditions.

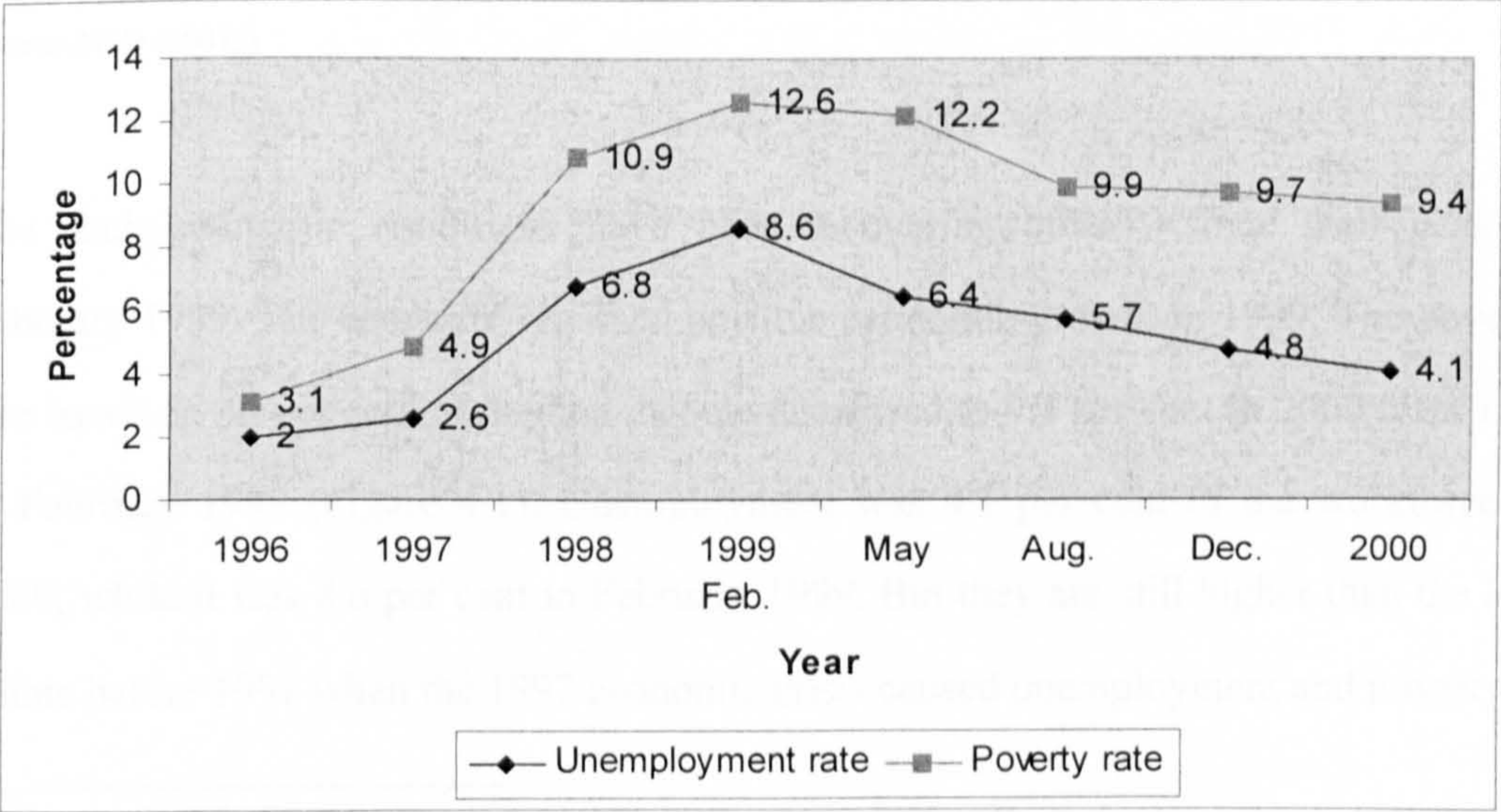
The outbreak of the economic crisis was followed by a contraction of the economy by 6.7 per cent in 1998, which meant an 11.7 per cent contraction from the positive 5 per cent for 1997. Consequently, per capita gross national income (GNI), which mirrors real purchasing power, fell from US\$ 10,307 in 1997 to US\$ 6,723 in 1998 (BOK, 2000). It is acknowledged that this severe recession resulted from the universal action taken in accordance with the prescription of the IMF, which requested high interest rates artificially set to stop capital flight from the country, and significant cuts in government expenditures (Kwon, H., 2001a, 2003; Kwon, S., 2001; Mathews, 1998).

The economic crisis, in particular, the labour market reform has had a great social impact on Korea. First of all, the country that since industrialisation had been used to full employment was faced with high unemployment. A huge number of firms went into the bankruptcy due to the high interest rate, as stated above, and this resulted in huge unemployment. As can be seen in Figure 4.1, the unemployment rate as measured by the NSO using the standard ILO definition, jumped to 8.6 per cent in February 1999 from 2.6 per cent in 1997, with the number of jobless people counted at 1.8 million. With regard to the composition of the unemployed, in particular, middle-aged people had an increased risk of becoming unemployed. There was more than a doubling in the number of the unemployed among all age groups between 35 and 59. In particular, those aged 45-49 expanded more than threefold between 1997 and 1998 (NSO, 1998). This figure

suggests that the people of this age group were the main targets of structural adjustment in the labour market in the name of improving labour flexibility (Shin, 2000: 91). Considering that these middle-aged people are the main breadwinners in households, social stress would be much higher than the figure suggests.

Second, the economic crisis in the late 1990s had an important role in provoking public awareness of the poverty problem. As Figure 4.1 shows, as a result of the economic crisis, the poverty rate based on the minimum living standards, which was just below 40 per cent of the median income in 2000, soared dramatically to 9.4 per cent in 2000 – more than a three fold increase than that in 1996. The poverty rate for households based on 50 per cent of the median income in 2000 also increased rapidly to 15.8 per cent from 11 per cent in 1996 (Park et al., 2002).

Figure 4.1 Trends in unemployment and poverty in Korea



Note: Poverty rates based on the minimum living standards, which have customarily been accepted as an official poverty line in Korea.

Source: NSO (2001b); Park (2000).

Third, through the economic crisis, income distribution became more unequal. As can be seen in Table 4.3, the income share of the lowest decile groups decreased to 13.1 per cent in 1999 from 14.6 per cent in 1997. At the same time, the income share of the highest decile groups grew from 49.7 per cent in 1997 to 52.6 per cent in 1999. Income inequality for families measured by the Gini coefficient²⁴ also increased from 0.28 in 1997 to 0.32 in 1999.

Table 4.3 Income distribution in Korea (%), 1995-1999

	1st-3rd	4th-7 th	8th-10 th	Gini coefficient
1995	14.7	35.3	49.8	0.284
1996	14.3	35.3	50.4	0.291
1997	14.6	35.8	49.7	0.283
1998	13.2	34.6	52.1	0.316
1999	13.1	34.3	52.6	0.320

Source: NSO (2001a)

The socio-economic conditions have been recovering quickly since their peak in February 1999. The economy regained positive economic growth in 1999. The poverty rate based on 40 per cent of median income decreased to 9.4 per cent in 2000 from 12.6 in February 1999 (Figure 4.1). Unemployment was 4.1 per cent of the workforce in 2000, while it was 8.6 per cent in February 1999. But they are still higher than the low points before 1997 when the 1997 economic crisis caused unemployment and poverty to

²⁴ It ranges from 0, which corresponds with perfect equality (where all households have the same income), to 1, which corresponds with perfect inequality (where one household has all the income, and the rest have zero income).

rise. The proportion of the unemployed who were out of work for one year or more decreased slightly to 2.5 per cent in 2002 from 3.9 per cent in 1996, while the unemployed out of work for less than three months consist of over half of the unemployed between 1996-2002 (NSO, 2005). Participation rates for men have fallen a bit after the 1997 financial crisis from 76.5 per cent at the peak in 1995 to 74.7 per cent in 2003 but remained stable around 75 per cent during the past two decades. The rates for women have risen slowly and steadily from 40.7 per cent in 1984 to 49 per cent in 2003 (2005, NSO), but they are still low compared to European countries.

4.1.3 Structure of the social security system

The current social welfare system in Korea can be classified into three categories: four major social insurance schemes (National Health Insurance, National Pension, Employment Insurance and Industrial Accident Compensation Insurance), social assistance (NBLS scheme, Health Benefit, Veterans relief, Disaster relief), and social welfare services (for the elderly, the disabled, children, women, and people with mental illness etc.). Most social welfare benefits are administered by the MOHW, except for the Employment Insurance and Industrial Accident Compensation Insurance, which come under the jurisdiction of the Ministry of Labour. Other government ministries are also involved in the social security system in some areas. The main social security benefits are as follows:

National Health Insurance

National Health Insurance (NHI) provides only healthcare, not cash benefits. Contributions are shared between employers and employees; each pays 2.5 per cent of the contributions, and the self-employed and the state (together with the NHI Fund)

each pays 2.5 per cent in 2006. The NHI scheme started with large-scale companies (workplaces with more than 500 regular employees) first, then public employees and private school teachers, and it became universal from 1989. Under the new integrated health insurance system, single contribution rates are applied nationwide and the same kinds of benefits are provided, thereby increasing the equity of health insurance contributions. Although the health insurance has been able to cover the entire population since 1989 and all health societies have been merged into a single insurer system, however, patients still directly paid 44 per cent of their total medical costs (15 per cent of insured medical care and 29 per cent of uninsured services) in 1999 (Kwon, S., 2001). This reflects not only the high co-payment rates of the patient, deriving from the low contribution of less than 3 per cent of income, but also the low level of state subsidies in the health insurance system (Shin, 2000: 87).

The Health Assistance Act was prepared to provide healthcare services to the poor who were excluded from health insurance coverage, on the other hand. Thus individuals not covered by the NHI have free access to the Health Benefit. Those who are entitled to general social assistance, i.e. NBLIS scheme, are automatically entitled to the Health Benefit, which is also provided to other clients, such as veterans, traditional artists and craftsmen, refugees from North Korea, and disaster victims (OECD, 2000a: 155). In 2004, the total number of individuals, including children, receiving the Health Benefit was 1.5 million, representing 3.2 per cent of the whole population. NBLIS recipients made up 88 per cent of total Health Benefit recipients, and others such as veterans and disaster victims represented 12 per cent (MOHW, 2005d).

National Pension Scheme

To supplement private sources of support for the elderly, the government established the

National Pension (NP) scheme in 1988 for firms with more than ten employees, which has both elements of a basic pension and an earnings-related pension. In the wake of the economic crisis, some important changes have been made. In 1999, the pension insurance was expanded to cover the urban self-employed, firms with less than five employees, temporary workers, and daily workers, who were previously excluded. The current NP scheme has not fully matured yet, since it does not begin paying regular pensions until 2008, as mentioned above. The NP scheme has been suffering from financial instability (Kwon, 2001; Lee, 2004; OECD, 2000a). It is thus projected that the contribution rate for the scheme will have to rise from the current 9 per cent (financed equally from employer and employee, and the self employed pay 9 per cent of income), to over 17 per cent during the next few decades. The replacement rate has been reduced from 70 per cent to 60 per cent, with forty years of contributions. Thus a pension equals to 60 per cent of his or her average lifetime wage. The pension age will be increased from current 60 to 65 from 2013 by one year every five years, while the minimum contributing period for old age pension was cut from 15 to ten years. The fund of the public occupational pension schemes for civil servants, the military and private school teachers are already exhausted, and liabilities are largely out of the government account (OECD, 2000a: 124).

Industrial Accident Compensation Insurance

At the beginning, Industrial Accident Compensation Insurance (IACI) covered people in workplaces of 500 or more regular employees, and was gradually expanded to workplaces with 200 employees in 1970, 16 in 1974 and less than five in 2000. While the number of people covered has increased gradually, reaching 45 per cent of all employed people in 2003 from 38 per cent in 1998 and 1.9 per cent in 1965 (MOHW, 2005d; NSO, 2005), the majority of irregular workers are still excluded from the IACI.

The IACI Fund is financed solely by contributions from employers. Contributions are related to safety records in such a way that employers in accident-prone workplaces have to pay larger contributions than those with better safety records. There is no state subsidy to help finance the insurance. Injured workers can claim compensation from the fund if an accident either happens in the process of work or is related to work.

Employment Insurance programme

Employment Insurance (EI) programme, which is the latest social insurance programme, was motivated by the necessity for an active labour market policy to help the structural adjustment effort in the labour market, resulting from the economic deterioration and soaring unemployment after the 1997 economic crisis (Lee, 1999b and 2004). Therefore it clearly emphasised its prioritised function of the active labour market policy such as job training, education and placement over and above the income support by insurance-based unemployment compensation for the unemployed. The EI is based on four components: the Employment Stabilization Scheme to subsidise for temporary lay-offs, redeployment and new hiring, and to promote the employment of disadvantaged groups such as laid-off workers, women and older workers; Employment Development Scheme to provide education and job training for the unemployed; Maternity Protection Scheme to provide maternity leave and childcare allowance; Unemployment Benefit to provide income support to job-losers. The employment stabilization scheme and the employment development scheme aim to protect job security and to enhance job capability of job-losers, while the unemployment benefit focuses on smoothing out the social impacts caused by mass lay-offs and providing income support for the laid-off workers (Yi and Lee, 2005). In 2005, the contribution rate for the unemployment benefit is 0.9 per cent of monthly wage (financed equally from employers and employees), and that for the employment stabilization scheme and employment development scheme

varies in scale of establishments from 0.25 to 0.85 per cent (financed from employers only).

The entitlement conditions for the unemployment benefit were relaxed. From 2000, the insured period was reduced to 180 days out of an 18 months base period prior to the day of job loss, from 12 months out of the 18 months base period. The duration of benefits is currently 90 to 240 days, depending on employment history, age and length of the insured period. The amount of benefits is 50 per cent of the previous wage, subject to a minimum level of 90 per cent (previously 70 per cent) of the minimum wage. After the economic crisis of 1997, the number of beneficiaries covered by the unemployment benefits rose sharply to 175 thousand in 2004 from 10 thousand in 1997. Despite the expansion of the unemployment benefit coverage, only 21.5 per cent of the unemployed were receiving unemployment benefits in 2004 (HRD, 2005). There are two main reasons for this. First, it is mainly because the EI programme did not cover all non-regular workers. According to the NSO (2002a), it covered only 3.8 per cent of daily workers and 24.4 per cent of temporary employees, very low rates compared with regular workers (79.4 per cent). Second, it is partly due to a low level of take-up derived from restrictions on the entitlement to unemployment benefits. Those who quit their job voluntarily are not entitled to receive the unemployment benefits. To qualify the claimants should have justifiable reasons, such as economic restructuring, lay-off for managerial reasons, business closure, bankruptcy, early retirement or termination of their employment contract. Only about 30 per cent of unemployed people met the entitlement conditions in 2002 (Yi and Lee, 2005: 158).

In 2004, the majority of EI expenditure was spent for unemployment benefits – it represented 68 per cent of total expenditure on EI, while the employment development

scheme, employment stabilization scheme and maternity protection scheme represented 24.5 per cent, 4.5 per cent and 3 per cent, respectively (HRD, 2005). The number of people covered by it increased considerably to 34 per cent of total employees in 2004 from 20 per cent in 1997 (HRD, 2005; NSO, 2005) but the coverage rate is still low. In 1998, the EI coverage was expanded to all workplaces including temporary or part-time workers but a great number of daily workers are still excluded. Therefore, notwithstanding the expansion of coverage of the programme, a relatively small proportion of the working population is insured by the EI.

In addition to the main social insurance schemes mentioned above, non-state sectors, in particular, strong familial traditions and enterprise welfare programmes play an important role in Korean social welfare (Hong and Song, 2006; Kim, 2005; OECD, 2000a; Shin, 2000). Since the 1980s, corporate welfare rapidly expanded by internal and external pressure on business organisations. The corporate sector provides social benefits, such as mandatory severance payments for job leavers and retirees, paid maternity leave and child allowances. In particular, the legal severance payments provided by employers represented 94 per cent of total (both public and private) spending on unemployment compensation in 2001 (Kho et al., 2003). However, those social benefits cover mainly regular workers and a significant number of temporary or daily workers are excluded.

As can be seen in Table 4.4, almost half of total social protection expenditure in 2001 was devoted to social insurance schemes, while the expenditure of the corporate sector took up 29 per cent, with social services taking up 14 per cent, and social assistance 11 per cent. As stated above, social insurance schemes are largely financed by employer and employee contributions. The government pays only about 20 per cent of the

contributions to the pension and health insurance schemes (OECD, 2000a) and there is no state subsidy for the accident compensation and unemployment insurance programmes. This welfare mix structure shows the characteristics of the Korean welfare regime, largely depending on social insurance schemes and placing the burden on the corporate sector and family, with relatively small commitment from the state, though the state has expanded its role both as a provider and regulator since the 1997 economic crisis (Lee, 1999b; Kim, 2005). Thus given the limited coverage of social insurance schemes and of the unemployment benefit for the unemployed with a contribution record, Korea seems to need a more comprehensive social assistance scheme for the unemployed poor.

Table 4.4 Total social expenditure in Korea by category of social welfare system, 1990-2001 (billion won)

	1990	1996	1997	1998	1999	2000	2001
Social insurance	3,687	10,973	12,865	18,202	22,929	18,820	21,808
Social assistance	861	1,780	2,077	2,521	3,353	3,810	5,265
Welfare services	1,103	3,578	4,446	5,799	7,090	6,657	6,701
Company welfare	1,797	5,742	9,786	21,622	13,636	18,090	13,874
Total expenditure (a)	7,591	22,142	29,270	48,629	47,179	47,648	47,995
(a)/GDP (%)	4.25	5.29	6.46	10.86	9.77	9.13	8.70

Note:

1. Social assistance includes LP/NBLS, Health Benefit, disaster and veterans relief, and facility care services for vagabonds.
2. Company welfare includes mandatory severance payments for job leavers and retirees, and paid maternity and sick leave.

Source: Kho et al. (2003).

Table 4.5 shows public and private social expenditure on the social security system in Korea in comparison with other countries. Korea's spending on social protection has traditionally been low. As can be seen in the table, total social expenditure represented only 8.7 per cent of GDP in 2001 (public social expenditure amounted to 6.1 per cent of GDP, while mandatory private social expenditure amounted to 2.6 per cent of GDP). In fact, total social expenditure rose sharply from 4.3 per cent in 1990 and 5.3 per cent in 1996 just before the economic crisis to 10.9 per cent in 1998, in order to resolve the problem of the soaring unemployment and poverty. As indicated above, the unemployment benefit under the Employment Insurance increased rapidly, the National Pension, as well as the National Health Insurance administration system became universal, and of particular importance was the establishment of a new general social assistance scheme the NBLIS, which replaced previous categorical assistance. Thus public social expenditure rose rapidly to 6 per cent in 1998 from just 3.2 per cent in 1990. On the other hand, mandatory private social expenditure also increased sharply to 4.9 per cent in 1998 from 1.1 per cent in 1990. It was due to the massive increase in the expenditure of the corporate sector – largely the increase in mandatory severance pay-offs.

Despite of the rapid increase in State and enterprise welfare benefits since 1997, Korea's social protection expenditure as a share of GDP in 1998, 10.9 per cent, was less than half the OECD-28 average of 21 per cent in 1998, and even after 1998, it remains at the lowest level among the OECD member nations as shown in Table 4.5. The low level of social expenditure in Korea partly reflects the relatively recent development of the social insurance schemes (Kho et al., 2003; OECD, 2000a). As mentioned above, the health insurance scheme was introduced in 1977 followed by the public pension in 1988 and the unemployment insurance in 1995. Even though the non-State sectors such as

Table 4.5 Total social expenditures in selected OECD countries 1990-2001, percentage of GDP

	1990	1995	1996	1997	1998	1999	2000	2001
Australia	14.4	18.1	18.3	18.7	18.9	18.5	19.5	18.9
Czech Republic	17.0	18.9	18.8	19.7	19.5	19.8	20.3	20.1
Finland	25.7	32.3	32.1	29.8	27.6	26.2	24.6	24.9
Germany	22.5	29.1	30.3	29.7	29.2	28.7	28.5	28.8
Ireland	19.0	19.6	18.5	17.2	15.8	14.2	13.6	13.8
Japan	11.0	13.7	14.2	14.6	15.0	15.5	16.6	17.5
Korea	4.3	5.0	5.3	6.5	10.9	9.8	9.1	8.7
Mexico	3.8	8.1	8.0	8.8	8.8	9.0	9.9	11.8
Netherlands	28.0	26.2	25.1	24.7	23.8	23.3	22.5	22.5
Portugal	14.1	18.4	19.5	19.3	19.5	20.1	20.9	21.5
Sweden	30.8	33.5	33.0	31.6	31.6	31.1	30.1	30.4
Turkey	7.6	7.5	9.7	10.8	11.1	13.2	-	-
United Kingdom	19.8	23.3	23.2	22.4	21.9	21.7	22.2	22.3
United States	13.9	15.9	15.6	15.3	14.8	14.6	14.6	15.1

Source: OECD (2004b).

family, enterprise and NGOs have been an important provider of social benefits in Korea, their vitality and impact have been getting weaker as market purchases are vulnerable to the economic conditions and the supportive role of the extended family has weakened, as stated above. Thus, when the frailty of non-State sectors is considered in the long-term, an even greater role of the State (both as a provider and regulator) in social protection seems inevitable. While, when it is considered that the National Pension scheme is fully matured in 2008 and a long-term care insurance scheme is

projected to put into effect from 2008, the possibility of the change in the structure of the welfare mix in Korea cannot be denied in the long term (Kim, 2005).

Korea spent 37 per cent of total social expenditure on health in 2001, while 29 per cent was devoted to unemployment compensation (largely severance payments provided by employers), 14 per cent to old-age, and 7 per cent to incapacity-related benefits (Kho et al., 2003; OECD, 2004b). By contrast, spending on family²⁵, social assistance and active labour market programmes are relatively low, while in response to the 1997 economic crisis, spending on social assistance²⁶ increased from 2.6 per cent of total social expenditure in 1997 to 5.4 per cent in 2001 and that on active labour market programmes rose from 1.3 per cent in 1997 to 3.4 per cent in 2001.

4.2 Patterns and trends in social assistance in Korea

4.2.1 Expenditure on social assistance

Table 4.6 shows trends in estimated spending on the main social assistance schemes in Korea – previous categorical assistance LP and current general assistance NBLs²⁷ – as a share of total social expenditure and GDP between 1985 and 2004. As can be seen in

²⁵ Between 1997 and 2001, expenditure on family remained at 1.8 per cent of total social expenditure.

²⁶ Social assistance is represented by ‘other social policy areas’ in the *OECD social expenditure database (SOCX)*. This includes LP/NBLs, disaster relief and facility care services for vagabonds, but excludes Health Benefit and veterans relief.

²⁷ The NBLs replaced the LP in 2000.

the first and second columns of the table, both LP/NBLS expenditure and total social expenditure increased steadily in cash terms over this period. Until the outbreak of 1997 economic crisis, social assistance expenditure as a share of total social expenditure, shown

Table 4.6 Expenditure on Livelihood Protection /National Basic Livelihood Security, 1985-2004, (annual prices/per cent)

Year	[A] Expenditure on LP/NBLSS ¹ Won (billions)	[B] Total social expenditure Won (billions)	[A] as a percentage of [B]	[A] as a percentage of GDP
1985	148	-	-	0.2
1990	386	7,537	5.1	0.2
1991	438	8,643	5.1	0.2
1992	463	10,707	4.3	0.2
1993	488	12,368	3.9	0.2
1994	539	15,077	3.6	0.1
1995	574	18,960	3.0	0.2
1996	713	22,000	3.2	0.2
1997	926	29,085	3.2	0.2
1998	1,121	48,142	2.3	0.3
1999	1,848	47,168	3.9	0.4
2000	2,332	47,648	4.9	0.5
2001	3,243	48,002-	6.8	0.6
2002	3,383	-	-	0.6
2003	3,506	-	-	0.6
2004	3,912	-	-	0.6

Notes:

1. LP became NBLSS in 2000.

2. Using purchasing power parities for 2004, £1 = ₩1,242.5.

Source: Author's calculation from the MOIHW (2002a, 2005d); NSO (2002b); Moon (2003); OECD (2004b).

in column 3, decreased steadily from 5.1 per cent in 1985 to 2.3 per cent in 1998, owing to the high economic performances and low levels of unemployment and poverty. However, after 1998 it increased sharply to 6.8 per cent in 2001 as the new general assistance scheme NBLIS was implemented in order to cope with the dramatic upturn in unemployment and poverty. While expenditure for social assistance as a percentage of GDP, presented in column 5, remained stable at only 0.2 between 1985 and 1997, but after the crisis it rose steadily up to 0.6 per cent in 2001 and afterwards presents a static trend. Total expenditure on social assistance in 2004 was 3,912 billion won, equivalent to around £315 million.

Under the present NBLIS scheme, the following seven different types of benefits can be provided for NBLIS recipients: Livelihood Benefit, Housing Benefit, Educational Benefit, Health Benefit, Maternity Benefit, Funeral Benefit, and Self-Reliance Benefit. Of these, the Livelihood Benefit is a main cash benefit, which is provided to all NBLIS recipients. The Housing Benefit, which was newly introduced in the NBLIS scheme, is another cash benefit, which is provided together with the Livelihood Benefit only for NBLIS recipients. The other benefits are in-kind benefits that are provided according to the needs of the recipient. Table 4.7 gives a breakdown of expenditure on LP/NBLIS between 1998 and 2003, by benefit type. This shows the Health and Livelihood/Housing benefits are the most important components of LP/NBLIS. In particular, the role of the Health Benefit (free access to medical services) within the NBLIS scheme is getting large – expenditure for the Health Benefit as a share of total LP/NBLIS expenditure increased to 50 per cent in 2003 from 44 per cent in 1999, while that for the Livelihood and Housing Benefits as a proportion of total LP/NBLIS expenditure declined to 42.5 per cent in 2003 from 45.4 per cent in 1999.

Table 4.7 LP/NBLS expenditure by type of benefit, 1998-2003 (billion won)

	1998	1999	2000	2001	2002	2003
Livelihood + Housing Benefits	448	839	1,114	1,461	1,443	1,492
Health Benefit	600	810	1,032	1,590	1,690	1,762
Educational Benefit	65	91	99	120	107	94
Maternity + Funeral Benefits	5	7	9	7	7	9
Self-reliance Benefit	3	101	78	92	149	149
Total expenditure on LP/NBLS	1,121	1,848	2,332	3,270	3,396	3,506

Note:

1. Housing Benefit was newly established in 2000.
2. Using purchasing power parities for 2003, £1 = ₩1,250.4.

Source: MOHW (2005d); Moon (2003); Yeo et al. (2004).

4.2.2 Recipients of social assistance

Table 4.8 shows trends in beneficiaries of previous categorical assistance LP and current general assistance NBLS between 1981 and 2004, both in absolute and relative terms. With the low rates of unemployment and poverty, Korea had a decreasing population of recipients of the LP up to 1997, and since 1998 the number of recipients remained constant at around three per cent of the total population. It is however notable that although the expenditure on social assistance has risen steadily after 1997, as shown in Table 4.6, with the mass unemployment and poverty and the establishment of general assistance, there was little expansion in the total number of LP/NBLS recipients: compared to the previous LP of which coverage was 3.1 per cent of the whole population in 1997, the total number of individuals receiving the NBLS benefits was nearly same – three per cent of the population in 2004, equivalent to 1.42 million people.

These trends point out social assistance provision in Korea has been targeted more on those most in need on the one hand, and the level of the NBLS benefits provided has increased to some extent than the previous LP benefits on the other. Discussion of benefit levels is held over to Chapter 6.

Table 4.8 Number of LP/NBLS recipients (thousands/per cent)

Year	Total recipients [A]	Cash assistance recipients	[A] as a percentage of total population
1981	2,090	n/a	5.4
1990	2,256	n/a	5.3
1992	2,176	421	5.0
1993	2,001	421	4.5
1994	1,902	401	4.3
1995	1,754	385	3.9
1996	1,506	372	3.3
1997	1,413	373	3.1
1998	1,175	440	2.5
1999	1,175	540	2.5
2000	1,490	1,490	3.2
2001	1,420	1,420	3.0
2002	1,351	1,351	2.8
2003	1,374	1,374	2.8
2004	1,424	1,424	3.0

Source: MOHW (2002a); Moon (2003); NSO (2005).

While the total number of beneficiaries did not increase greatly over the period, recipients of cash benefits, including the Livelihood and Housing Benefits grew considerably from 372 thousands in 1996 to 1,490 thousands in 2000, slight decrease to 1,374 thousands in 2003. Nevertheless, a sizeable proportion of poor people seem not to be covered by social assistance. For example, the poverty rate based on the minimum living standard, which is the customarily accepted official poverty line in Korea²⁸, in 2003 was 11.6 per cent (Yeo et al., 2005). However, as Table 4.8 shows, only 2.8 per cent of the population in 2003 is covered by the NBLs scheme. This means coverage of the NBLs is limited to about 24 per cent of the poverty population in 2003 – the remaining 76 per cent (about four million people) seem to be excluded from general social assistance, even though their earnings fall short of the poverty line. Thus the low coverage of the new general assistance scheme NBLs has been criticised by commentators (Kim, 2003; Huh, 2003; Jung, 2005; Lee, 1999b; NRB, 2001; OECD, 2000a; Park, 2002; Shin, 2000; Yeo et al., 2004).

In terms of the low coverage rates and low levels of spending on general assistance, there are two continuing policy debates on social assistance in Korea - avoidance of dependency on the State and the low levels of expenditure on the social security system. In fact, as discussed in the literature review chapter, the policy idea of avoiding welfare dependency was ironically dominating the policy-making process in Korea during the past developmental period, which placed almost exclusive emphasis on economic development, while using social policy as an instrument for economic growth. As a result of this policy idea, most people had to find substantial security measures in

²⁸ It was about 40 per cent of the median income. While the poverty rate based on 50 per cent of the median income in 2003 was 15.5 per cent.

private sectors, such as wider concepts of family obligation, enterprise and commercial sectors (Shin, 2000: 89). But the legacy of the authoritarian regimes still seems to remain even under the new democratic governments. The idea is apparently proved from the low levels of social and public expenditure on the social security programmes, as shown above, while the levels have rapidly increased since the 1997 economic crisis. The governments and the MOHW have always taken into account budget constraints on expenditure on social security, including social assistance. Eligibility criteria for the NBLs are, thus, very strict and complicated in order to minimize the budget and the number of recipients (OECD, 2000a; Yeo et al., 2004: 172). The conditions of eligibility and entitlement are discussed in more detail in the next chapter.

Table 4.9 gives a breakdown of LP/NBLs recipients by the main forms of benefit between 1998 and 2003. It can also be seen here that there is a big upturn in the numbers of recipients of main cash benefits, i.e. the Livelihood and Housing Benefits, before and after the establishment of the NBLs in 2000. In 1998, only 440 thousands (37 per cent of LP recipients) received the Livelihood Benefit (but there was no Housing Benefit available), but from 2000, cash benefits are provided to all NBLs recipients. It needs to be explained why this change has been made. Under the previous categorical assistance scheme (LP), there were two types of recipients: livelihood aid recipients who were unable to work due to, *inter alia*, disability and old age (i.e. over 65); self-support care recipients who were capable of work. Income support to recipients who were considered unable to work (i.e. livelihood aid recipients) was more generous than payments to able-bodied recipients (i.e. self-support care recipients). Accordingly, livelihood aid clients received the Livelihood Benefit at 100 per cent of the standard benefit rates, while self-support care recipients had received only in-kind benefits including the Health Benefit until 1998, and in 1999 they received the

Livelihood Benefit at a reduced rate for at most six months only (OECD, 2000: 128-130; 141). The NBLS scheme abolished the classification, and from 2000 there is no difference in the level of income support provided between those able and unable to work, and the Livelihood and Housing Benefits are provided to all NBLS recipients. For these reasons, there was a sudden increase in the number of beneficiaries receiving cash benefits in 2000.

Table 4.9 shows there is a considerable overlap in the receipt of benefits because under the NBLS scheme, not all types of benefits are provided to recipients, but they are provided according to the needs of the recipient. As stated above, the Livelihood Benefit together with the Housing Benefit is provided to 100 per cent of NBLS recipients since 2000. 93 per cent of total NBLS recipients in 2002 received healthcare services provided by the Health Benefit. The Educational Benefit was provided to 12 per cent of total recipients. While 23 per cent of total NBLS recipients in 2002 were those capable of work, only 15 per cent of NBLS recipients having ability to work received the Self-reliance Benefit. Discussion of the Self-reliance Benefit is held over to Chapter 5.

Table 4.9 Recipients of LP/NBLS by main type of benefit, 1998-2003 (thousands)

	1998	2000	2001	2002	2003
Livelihood + Housing Benefits	440	1,490	1,420	1,351	1,374
Health Benefit	1,132	1,401	1,335	1,253	1,276
Educational Benefit	162	183	165	157	n/a
Self-reliance Benefit	-	-	39	45	43
Total LP/NBLS benefits	1,175	1,490	1,420	1,351	1,374

Note: Housing Benefit was newly established in 2000.

Source: MOHW (2002a, 2005d); NSO (2005); Yeo et al. (2004).

Table 4.10 gives a breakdown of recipients of NBLS in 2004, by age group. The figures presented here include children living together. As can be seen in the table, those aged less than 18 and 65 years and over formed the two largest age groups of beneficiaries in 2004. These groups represented over half the total recipient population (51 per cent), while those aged 18 to 64 represented 49 per cent. In addition, 73 per cent of the NBLS recipients were those unable to work because of old age (46 per cent), illness or disability (44 per cent) and other reasons (10 per cent) (MOHW, 2002c), while those capable of work made up 27 per cent, whose 16.3 per cent were unemployed people, 74 per cent were people with low-income and 9.7 per cent were others. Thus unlike in most OECD countries, the unemployed are not yet a major category - represented only 4.4 per cent of all the recipient households in Korea. This is partly because of the low level of unemployment – 3.7 per cent in 2004 (NSO, 2005). However, the unemployment rate among those aged 15 to 29 has expanded steadily from 4.6 per cent in 1996 to 8.2 per cent in 2004. Nevertheless, as shown in Table 4.10, young adults (30 years and under) represented one of the smallest groups of social assistance recipients. These reflect the fact that the new general assistance scheme NBLS still tends to substantially focus on the previous demographic condition, i.e. under 18 and 65 and more and those unable to work, although benefits are awarded as a right under the new scheme. It thus seems that many poor people who are young and have working ability are being excluded from the NBLS, due to the strict eligibility criteria, mentioned above (Yeo., 2004: 174).

Table 4.10 Recipients of LP/NBLS by age group, 2004 (per cent)

Under 18 years	18-30 years	31-40 years	41-50 years	51-64 years	65 years and over	Total
24.7	9.6	9.3	15.8	14.2	26.3	100

Source: NSO (2005).

Table 4.11 shows a breakdown of the recipient population in 2004, by categories. Older people households (aged 60 and over) are again the largest clientele in receipt of NBLIS – 32 per cent of total recipient households. Households headed by a lone parent make up 12 per cent, and households with disabled people represent 16 per cent. The high proportion of elderly recipients is expected to be lower to some extent from 2008 when the NP scheme starts to pay regular pensions. Lone parents do not form a large group of social assistance recipients yet, compared to other OECD countries. It is because the lone parent population is relatively small in Korea, as mentioned in the section on the demographic context of this chapter, while the proportion of this group has risen steadily.

Table 4.11 Covered households of NBLIS, by categories, 2004 (thousands/per cent)

	Aged 60 Or over	Lone parents	Disabled	Household headed by young people*	Others	Total
Number	240	89	123	15	286	753
Per cent	32.0	11.8	16.3	2.0	37.9	100

Note: *Young people aged 18 or under.

Source: MOHW (2005e).

Like in many EU countries, poverty and social assistance are gendered in Korea. In 2000, female-headed households represented 18.5 per cent of total households, while male-headed households represented 81.5 per cent (NSO, 2005). The poverty rate for female-headed households in 2000, based on the minimum living standards was 17 per cent; in contrast that for households headed by male was 6 per cent (KWDI, 2003). Women are also more dependent upon social assistance than men in Korea - 58 per cent of all beneficiaries were women in 2001. This seems to be partly because the average

span of women is 6.95 year longer than men (MOHW, 2005e). Lone mothers represented 79.8 per cent of total lone parents in receipt of general assistance benefits, because of fast growing divorce rate as a percentage of marriage.²⁹

In terms of the numbers of household member of recipient households, one person households represented over half the total recipient households (56.6 per cent), and two and three person households were 20.2 and 13.4 per cent respectively in 2004 (MOHW, 2005e), while the number of average household members in 2000 was 3.1 persons (NSO, 2005).

4.3 International comparison

In this section, the NBLIS scheme is compared with seven countries (excluding Portugal due to the lack of comparable data) to obtain a comparative perspective. Table 4.12 presents estimates of spending on general social assistance in 2000 as a share of total social expenditure in Korea and other OECD countries. It shows the importance and extent of social assistance in the context of total national welfare arrangements. The extent of social assistance in terms of spending on social assistance is highest in Korea, where spends the lowest level of expenditure on social support amongst the selected countries. The UK also joins the group, where the role of means-tested income support is considerably larger than elsewhere. Those spending relatively low on social assistance (less than three per cent of total social expenditure) are composed of two

²⁹ Divorce rate as a share of marriage indicates total annual divorce cases divided by total annual marriage cases. The rate has risen rapidly to 44.8 per cent in 2004, from 10.3 per cent in 1985 (NSO, 2005).

different sorts: the two Nordic countries that have universal benefits, and Ireland and Japan, where exhibit relatively low levels of spending on social protection. In between are found Germany and the Netherlands, where have comprehensive insurance-based welfare systems and spend relatively high level of expenditure on social protection.

Table 4.12 Expenditure on general social assistance as a percentage of total social expenditure, 2000

	Total social expenditure as a percentage of GDP	Social assistance expenditure as a percentage of total social expenditure
Sweden	30.1	1.4
Finland	24.6	1.3
Germany	28.5	3.9
Netherlands	22.5	3.5
United Kingdom	22.2	5.0
Ireland	13.6	2.0
Japan*	17.5	2.3
Korea*	8.7	6.8

Note: *2001.

Source: IPSS (2005); Kuivalainen (2004); MOHW (2005d); OECD (2004b).

Table 4.13 shows trends in spending on social assistance as a share of total social expenditure between 1993 and 2000. Overall, country differences in social assistance expenditure as a share of total social expenditure narrowed over this period. The absolute change in social assistance spending as a proportion of total social expenditure since 1993 was highest in Korea (nearly three percentage points), followed by the Netherlands (1.5 percentage points). Proportionately, again it is Korea and the

Netherlands which have witnessed the most rapid growth of social assistance spending over the period. The rise in the share of social assistance expenditure in both countries is due to institutional changes: in Korea categorical assistance (LP) was withdrawn and replaced with general assistance (NBLS) in 2000, while in the Netherlands unemployment assistance (RWW) was replaced by general assistance (ABW) in 1996. Ireland is the only country, where the proportional share of social assistance expenditure rose steadily without a decrease over the period, while Germany is the only country, which registered a declining share without an increase. In the UK, since 1996, unemployed people are no longer entitled to Income Support but to Income-based Jobseekers' Allowance. As a result of the institutional change in the UK, expenditure on general assistance naturally decreased and that on categorical assistance increased (Kuivalainen, 2004: 100). Indeed, expenditure on general social assistance as a share of total social expenditure declined from 8.2 per cent in 1995 to 6.8 per cent in 1996, and afterwards it remained at 5 per cent.

Table 4.13 Social assistance as a proportion of total social expenditure, 1993-2000

	Swe	Fin	Ger	NL	UK	Ire	Jap	Kor
1993	1.4	1.2	5.2	2.0	8.7	1.3	2.2	3.9
1995	1.8	1.5	5.1	1.8	8.2	1.5	2.1	3.0
1996	2.0	1.7	4.8	5.0	6.8	1.7	2.1	3.2
1998	1.8	1.5	4.0	4.1	5.1	1.9	2.2	2.3
2000	1.4	1.3	3.9	3.5	5.0	2.0	2.3*	6.8*
Index	100	108	74	175	57	154	105	174
(1993=100)								

Note: *2001.

Source: IPSS (2005), Kuivalainen (2004); MOHW (2005d); OECD (2004b).

In Ireland and the UK, the importance of categorical assistance is larger than general assistance, particularly within the Irish welfare system. After the inclusion of categorical assistance, the share of total social assistance expenditure in Ireland is even higher than that in the UK (see Kuivalainen, 2004: 228-9). Thus if categorical assistance were to be included in the comparison of the extent of social assistance, more variations between the countries would be found.

Table 4.14 shows trends in beneficiaries of social assistance as a proportion of the total population in each country since 1990. This provides a broad indication of the salience of social assistance in the different countries (Eardley et al., 1996a: 38). As discussed in the methodology chapter, comparable data on the number of social assistance recipients are highly problematic (see Eardley et al., 1996a: 38; Kuivalainen, 2004: 71, 109). One of the major problems is the difference in the period of estimates. In Finland and Sweden, national statistics on recipients cover the whole calendar year, whereas in the other countries, i.e. Korea, Japan, Germany, Ireland, the UK and the Netherlands, estimates are based on a one-time measure. The number of social assistance recipients in Finland and Sweden, thus, seem to be considerably higher. For this reason, the numbers are not wholly comparable and the following comparison represents only a first attempt at making sense of the overall picture.

Looking at the recipient populations, in 2000 the UK operated the most extensive social assistance programme notwithstanding the reduction of the scale of Income Support from 1996. The number of beneficiaries of Income Support in 2000 represented 11.2 per cent of the total British population. The Nordic countries and the Netherlands also stand out. However, as mentioned above, in the case of Finland and Sweden estimates of recipients concern the whole calendar year, while in other countries statistics are based

on a one-time measure every year. Thus the figures for the two Nordic countries are overestimated to a great extent.³⁰ Those with the lowest numbers receiving general assistance included Japan and Ireland. They delivered to two per cent and under of their populations in 2000. Whilst general social assistance in Korea and Germany covered about three per cent in the early 2000s. The Korean scheme thus can be considered as rather marginal in terms of the proportion of the population receiving assistance benefits. Apart from Korea and the Netherlands, the majority of the countries of the chapter recorded an increasing share of the number of recipients as a proportion of the populations during the first part of the 1990s, while from 1996 the proportion of the population receiving assistance benefits took a downward trend in every country, except Ireland.

Overall country differences in the coverage of social assistance narrowed slightly (one percentage point) during the 1990s. Finland and the Netherlands recorded the greatest growth in absolute terms (2.5 and 2.2 percentage points respectively), while the proportionate increase was greatest in the Netherlands and Germany. Korea and the UK are the only countries where recorded a substantial decrease in the number of beneficiaries as a percentage of the populations both in absolute and proportionate terms. As mentioned above, in the case of the UK, the scale of general assistance expanded during the first part of the 1990s, but from 1996 it diminished due to the institutional change: since 1996, unemployed people, who had previously been covered by Income Support, are covered by separate categorical assistance (Jobseekers' Allowance) and

³⁰ According to Kuivalainen (2004: 109), estimates based on a one-time measure estimated in November every year, show Finland exhibited lower numbers of recipients as a proportion of the whole population between 1990 and 2000 than the Netherlands.

there was a rapid decline in the number of recipients of Income Support as a proportion of the total population (from 17 to 11 per cent).

Table 4.14 Individual beneficiaries of social assistance as a percentage of total population, 1990-2000

	Swe	Fin	Ger	NL	UK	Ire	Jap	Kor
1990	6.0	6.3	2.2	3.8	12.2	1.4	0.8	5.3
1995	7.8	11.4	3.1	3.0	16.7	1.8	N/a	3.9
1996	8.2	11.9	3.3	7.9	11.9	1.9	N/a	3.3
1998	7.5	10.4	3.5	6.5	11.4	1.6	0.8	2.5
2000	5.9	8.8	3.3	6.0	11.2	2.0	0.8	3.0*
Index (1990=100)	98	140	150	158	92	143	100	57

Note: *2001

Source: Abe (2002); Eardley et al. (1996a); Kuivalainen (2004); MOHW (2005d).

The Korean case is quite opposite to the British case. Unlike the majority of the countries of the chapter, where exhibited an increasing share of the number of recipients during the first part of the 1990s, Korea had a decreasing share of the number of beneficiaries of LP as a proportion of the total population until 1998, due to the low levels of unemployment and poverty. One notable thing here is that although categorical assistance (LP) was replaced by general assistance (NBLs) in 2000, there was little expansion in the proportion of beneficiaries as a share of the total population between 1998 and 2001 (a growth of only 0.5 percentage point). Since 2000, the proportion of the population receiving NBLs remained stable at three per cent, as shown in Table 4.8.

Looking at expenditure, the Korean scheme NBLs plays the largest role within the welfare state, followed by the UK. Considering the recipient populations, however, the Korean scheme can be considered as rather marginal: Korea comes sixth out of eight countries considered in the chapter, while the UK and the Netherlands stand out. General assistance in Ireland can be considered as marginal both in terms of expenditure and recipients. However, the Irish scheme can be considered as extensive if categorical assistance is included.

4.4 Summary

This chapter has analysed the extent and salience of previous categorical and current general social assistance in Korea. Until 1998 social assistance expenditure as a share of total social expenditure decreased steadily to 2.3 per cent, owing to the high economic performances and low levels of unemployment and poverty. However, after the outbreak of the 1997 economic crisis, the share of social assistance expenditure expanded to 6.8 per cent, since categorical assistance (LP) was replaced by general assistance (NBLs) in order to cope with the dramatic increase in unemployment and poverty. Expenditure for social assistance as a proportion of GDP also rose after 1997, and since 2001 it remained stable at 0.6 per cent. In contrast, trends in recipients are somewhat different from those in expenditure. While there was a steady expansion of social assistance expenditure after the establishment of general assistance in 2000, there was little expansion in the proportion of the population receiving assistance benefits over the same period.

The chapter also reveals the pattern of expenditure on, and recipients of, the Korean social assistance scheme in 2001 and trends since 1990 in a comparative perspective.

The UK operates the most extensive and salient social assistance scheme both in terms of expenditure and coverage of the population. On the contrary, the Nordic countries and Japan operate the most marginal social assistance schemes. The German and Dutch schemes are characterised with a higher share of expenditure and a lower share of recipients as well as relatively high spending on total social expenditure. In contrast the Korean scheme is characterised with the highest share of expenditure and a lower share of recipients as well as the lowest spending on social support. General assistance in Ireland can be considered as marginal both in terms of expenditure and recipients. However, the Irish scheme can be considered as extensive if categorical assistance is included.

Apart from Korea and the UK, the majority of the countries of the chapter recorded an increasing share of both social assistance expenditure and the number of recipients, during the first part of the 1990s: a similar trend to that of the 1980s (Eardley et al., 1996a). However from 1996 the countries of the chapter took a downward trend in both expenditure and recipients, except Ireland. Korea exhibited a rather different trend: the share of social assistance expenditure expanded, whereas there was little change in the number of recipients since 1998, as mentioned before. On the other hand, in every country, except the UK and Germany, the share of social assistance expenditures was more extensive in 2000 than in 1990, while social assistance in every country, except Korea and the UK, was more salient in 2000 than in 1990, in terms of coverage.

It was found in the chapter that given the low level of spending on social protection, in particular, low coverage of the unemployment benefits and the weakening of family tie and enterprise welfare benefits, there is a need for more comprehensive and extensive social assistance as a last-resort safety net. External factors such as focusing on labour

market integration measures for social assistance recipients, budgetary concerns and political acceptance of benefit support have contributed to a decline in the real benefit position of many social assistance recipients in OECD countries since 1980s and to a tightening of conditions of eligibility and entitlement (Adema, 2006: 27-28). These external factors also seem to have played a significant role in the patterns and trends in the extent and salience of social assistance in Korea. The next chapter looks in more detail at the conditions of eligibility and entitlement and those relating to work availability.

Chapter 5 Conditions of eligibility and entitlement

This chapter analyses social assistance scheme in Korea at the institutional level, looking at the structure and the rules governing eligibility, the conditions of entitlement and those relating to work availability. The chapter first examines the Korean scheme and it is then compared with social assistance schemes in eight OECD countries in order to obtain a comparative perspective. It looks at the conditions of eligibility in terms of the residence/nationality and the minimum/maximum age requirements. The conditions of entitlement are examined with regard to benefit/resource units and resource testing. With regard to availability for work requirements, work test and incentives to work are discussed. Special focus is on: whether or not there has been any significant improvement within Korean social assistance; how far Korea differs from other countries considered here.

5.1 Korea

5.1.1 Legislation and policy objectives

The National Basic Livelihood Security (NBLIS) scheme is currently governed by the NBLIS Act of 1999. The Livelihood Protection (LP) Act of 1961 was the first statutory provision of social assistance in Korea. The LP scheme, to which there had been partial changes in terms of its contents until 1999, had the aim of providing a minimum level of relief mainly for those categorically poor – aged under 18 and 65 or over, or unable to work (MOHW, 1999: 4; OECD, 2000a: 128; Yeo et al., 2004: 131). Spurred by soaring unemployment and poverty arising from the economic crisis in 1997, the NBLIS Act, which aims to secure a minimum income standard for all people eligible regardless of

their age or ability to work, was enacted in September 1999, and was put into effect in October 2000 (Jung, 2005: 4-6; Moon, 2002: 4-6; OECD, 2002; Yeo et al., 2004: 92-96). Table 5.1 provides a broad outline of social assistance in Korea. It allows for a comparison of previous and present assistance schemes with regard to: designation, legal basis, types of benefits provided and main cash benefit.

Table 5.1 A comparison of previous and present social assistance in Korea

	Previous assistance (1961-2000)	Present assistance (Since 2000)
Designation	Livelihood Protection (LP)	National Basic Livelihood Security (NBLS)
Legal basis	Livelihood Protection Act of 1961	NBLS Act of 1999
Type of assistance	Categorical assistance provided mainly for those aged under 18 and 65 and over, or unable to work	General assistance
Types of benefits provided	Six aids: Livelihood, Educational, Health, Maternity, Funeral, and Self-Reliance Aids	Seven benefits: Livelihood, Educational, Health, Maternity, Funeral, Self-Reliance, and Housing Benefits
Main cash benefit	Livelihood Aid: provided only for claimants who are non-working aged or unable to work	Livelihood Benefit: provided for all recipients. For those able to work, the benefit is provided on the condition that they participate in self-reliance scheme

From a legal point of view, the social assistance reform carried out in 1999 was noteworthy for some reasons. First, NBLS is designed to guarantee a right to a minimum income, while prior social assistance simply served as a beneficial protection (Jung, 2005: 6, Yeo et al., 2004: 131). The term Protection has therefore been changed to Security, which shows the state's responsibility for poverty and welfare. Second,

there was a shift in the form of social assistance in Korea – from categorical assistance to general assistance. The demographic condition ‘under 18 and 65 and over, or unable to work’ was abolished from the contents of the NBLIS law, and all the people earning less than the minimum cost of living have right to be guaranteed the minimum standard of living by the state. Third, as a measure to stabilize housing for people with low-income, Housing Benefit has newly been established in the NBLIS scheme. Enforcement of housing benefit, which has resulted in adoption of minimum housing standard and an increase in public housing, can be seen as an opportunity for strengthening housing policy in Korea. Four, the main beneficiaries under the previous categorical assistance were those non-working aged or unable to work, but under the new general assistance, working age able-bodied people are included as a recipient group. To prevent long-term dependency and to enhance financial incentives to work for those able to work, the NBLIS places emphasis on promotion of self-support, and earnings disregards are partially applied to social assistance clients (OECD, 2000a; SSWI, 2005).

Under the present NBLIS scheme, the following seven different types of benefits can be provided for the recipients: Livelihood Benefit, Housing Benefit, Educational Benefit, Health Benefit, Maternity Benefit, Funeral Benefit, and Self-Reliance Benefit.

- *Livelihood Benefit (main cash benefit)*: for low-income people earning less than the minimum cost of living, i.e. NBLIS recipients. It is made up of cash grant for food, clothing, fuel expense and other necessities of life. For the claimant able to work, Livelihood Benefit is provided on the condition that he/her participates in the Self-Reliance scheme.
- *Housing Benefit*: for NBLIS recipients. This is the newly introduced benefit in the NBLIS scheme. It covers housing cost, house maintenance/repair services

and other items necessary for the stabilization of housing. It is provided by cash (housing cost) and in-kind (e.g. maintenance/repair services).

- *Health Benefit:* for low-income people, including NBLIS recipients, who are unable to pay for medical treatment from their own resources. It provides health care, not cash benefits.
- *Educational Benefit:* payment covers entrance fee and tuition and school meals, textbooks and other school goods or supplies necessary for up to high school (or secondary school). It is provided in the form of in-kind benefit.
- *Maternity Benefit:* is provided for NBLIS claimants with cash grant when they deliver. Payments cover the cost of midwifery services for deliver, pre-natal and post-natal care and any required dressings.
- *Funeral Benefit:* is provided for NBLIS recipients when they die. It meets costs of post-mortem examination, transportation, cremation or burial or other things needed for a funeral service.
- *Self-Reliance Benefit:* is provided for able-bodied low-income people including NBLIS recipients. For NBLIS recipients, Livelihood Benefit is provided with a condition that they participate in the Self-Reliance scheme, including employment support programmes.

Of these, Livelihood and Housing Benefits are the two main cash benefits that are provided to all NBLIS recipients. The other benefits are provided according to the needs of the recipient. Health, Self-Reliance and Educational Benefits are also significant and frequently paid benefits. Housing Benefit was newly introduced in the NBLIS scheme, as mentioned above. It provides help as one of the NBLIS benefits and only for NBLIS recipients. All the NBLIS benefits, which are provided in the form of either cash or in-kind benefits, are subject to means test.

The purposes of social assistance are generally outlined in legislation (Eardley, et al., 1996a: 47). The objective of NBLS is stated as to provide necessary benefits to all people whose monthly income is less than the minimum cost of living, thus guaranteeing a minimum standard of living, and to promote self-reliance (NBLS Act, Article 1). Furthermore, the scheme is based on the principle of subsidiarity; all other available benefits and resources as well as help from those legally responsible to support him/her must be exhausted before being entitled to social assistance (Art. 3, Para. 1 and 2). Thus social assistance is granted as a last resort. The question of who are legally responsible is discussed in detail in the following section. The purpose of the promotion of self-reliance indicates that the scheme aims not only to boost financial resources but also to promote the independence of recipients and to enhance them to rejoin the labour market. The NBLS scheme, which has included able-bodied clients, places more emphasis on individual and familial responsibility and minimising disincentives (Yeo et al., 2004).

The NBLS scheme is administered at the national level. At the level of central government, policy responsibility for social assistance has been held by the Ministry of Health and Welfare (MOHW) and the implementation of social assistance is delegated by law to the local authorities and local welfare offices. Professional social welfare officials carry out administration within a framework of statutes, memoranda and manuals issued by the MOHW. Benefits are financed by the central government (more than 80 per cent of the expenses) and the local governments (less than 20 per cent) by the law. All costs are, in effect, provided from general taxation.

To assist recipients, the government has increased the number of social welfare officers administering the NBLS and the self-reliance programmes to 7,200 in 2003 from 5,500

in 2001. A single welfare officer took the responsibility for an average of 188 recipients (98 households) in 2003 from 273 recipients (130 households) in 2001 (Moon, 2003: 16).

The question of how the minimum standard of living is determined and what constitutes the level of minimum in Korea is examined in Chapter 6. Analysis simply based on the legislative aims can be normative and ideal, and be insufficient to reveal the actual function of legislation (Kuivalainen, 2004: 121). The next step thus is to analyse the conditions of eligibility, i.e. for whom the benefit is intended, and the conditions of entitlement, i.e. whether an applicant is entitled to benefit based on his or her needs and resources (Eardley, et al., 1996a: 48). First the conditions of eligibility is examined, and later those of entitlement.

5.1.2 Conditions of eligibility (nationality/residence and minimum/maximum age thresholds)

Entitlement to NBLIS is in general limited to Korean nationals resident in South Korea under the NBLIS Act. Non-Korean nationals have no entitlement for claiming social assistance.³¹ North Korean nationals who are resident in South Korea may, under certain circumstances, be entitled to social assistance benefits. People accepted as refugees can receive on the same basis of Korean nationals, but asylum seekers are not (MOHW, 2005c). Benefits are not portable to other countries. In fact, there has been little difference between the previous and the present social assistance schemes in terms of the residence and nationality conditions. The strict eligibility conditions have been

³¹ While foreigners are eligible for insurance-based social protection depending on a previous contribution record (MOHW, 2005c).

criticised since foreigners and asylum seekers are in effect not eligible for social assistance, in spite of their economical vulnerability (Moon, 2005: 262-265). Discussion of the issue on foreigners and asylum seekers is held over to the next section.

There is no lower age limit, but parents have legal obligation for supporting their children. In particular, parents are responsible for unmarried children living together at least until their children reach the age of 29 (MOHW, 2005a). As long as conditions of entitlement continue to be met, there is no time limit on the receipt of the NBLIS benefits. Claimants working more than 18 hours per week cannot get the benefits.

5.1.3 Conditions of entitlement (benefit/resource units and resource testing)

An important character of social assistance is that it is needs- and means- tested. While the conditions of eligibility determine whether an applicant is eligible for the benefit, the conditions of entitlement determine whether the claimant is entitled to benefit on the basis of needs and resources they have (Eardley et al, 1996a: 48). The more conditions and responsibilities are tied to the family members and the wider resource unit, the weaker the social right is and consequently the less society's responsibility (Kuivalainen, 2004: 127). The strict conditions of entitlement for NBLIS have been one of the main areas of policy debate on social assistance in Korea (Kim, 2003; Moon, 2003; NRB, 2001; Park, 2002; Yeo et al., 2004; Yoon, 2003). The benefit and resource units are analysed first and the focus then moves on the resource testing.

The benefit unit is the unit to whom the benefit is payable. The resource unit is the unit whose resources must be taken into account (Eardley et al., 1996a: 65). Actually both benefit and resource units in Korea are a wider concept than those in many OECD

countries. The entitlement to NBLs benefits is normally established on a household basis, except in special circumstances, in which case individuals may be treated as separate units (Art. 4, Para. 3). The households (i.e. the claimant and the other household members) are thus treated as both the benefit and resource units, requiring an extended family support (MOHW, 2005a: 5). Article 5 of NBLs Act lays down that the following person whose income and assets estimated meet the criteria set annually by the Health and Welfare Minister, shall be entitled to the recipient for NBLs: a person who has not any legal supporter(s) responsible for supporting him/her, or a person who has legal supporters but cannot receive support from them. To be entitled to the NBLs recipients, thus, the following three requirements need to be met at the same time: income, assets and absence of legal supporter(s). From 2003, by the law, the separated selection criteria of income and assets are simply unified into new criteria called 'recognized income'.

Looking at the treatment of earnings, most earnings of the claimant and the other people in the household including children's income are counted in full in the means test. The total amount of assistance under NBLs is calculated by taking the minimum cost of living (see Chapter 6) and subtracting the 'recognized income' of the household (see below). Most forms of income are taken into account for the means test, with the exception of certain benefits for the patriots and veterans, and educational grants. Most social security benefits are counted in full, except for old-age pensions, disability allowance, attendance allowance and child-care benefits (MOHW, 2005a).

Some claimants may be excluded from entitlement to social assistance due to the level of their own resources. Disregards for earned income and assets may contribute to the effectiveness of social assistance schemes and enhance incentives to work (Behrendt,

2002: 98; Blundell, 2000; OECD, 2000a; Park, 2002: 11-12). The NBLs scheme thus adopts earnings disregards and they are now partially applied to the recipients. Students are allowed to keep 30 per cent of earned income. 30 per cent of the earned income by the disabled in the Job Rehabilitation programmes and all recipients taking part in Self-Reliance scheme are also disregarded. But the current earnings disregards do not include earnings from general paid work (full-time or part time) (MOHW, 2005a).

Assets are usually taken to include cash, money held in accounts, land, property (house) and even cars as resources in the means test, unless they are regarded as necessary to maintain a minimum living standard. Households living in big cities with homes above 38 million won (equivalent to approximately £30,458 in 2004 purchasing power parities) will not receive any NBLs benefits before they have liquidated their homes (Table 5.2). Those with cars both above 2000cc for disabled persons and above 1500cc for non-business use are also excluded from the NBLs entitlement. The amount of disregarded capital in 2005 is 3 million won (approximately £2,405) (MOHW, 2005a).

Table 5.2 Assets (property) criteria by area in 2005

Area	Won	\$	£
Big cities	38 million	49,287	30,458
Medium and small size cities	31 million	40,208	24,848
Farming and fishing villages	29 million	37,613	23,245

Note:

1. Big cities refer to six major cities of which populations are more than a million including Seoul.
2. Dollar and sterling currency equivalents are based on 2004 OECD purchasing power parities.

Source: MOHW (2005a).

To be entitled to the NBLIS recipients, both income and assets requirements needed to be met at the same time until 2002. Yet, the dual criteria had been criticised. First, a large number of people below the minimum costs of living were excluded from social assistance because of their assets above the limits, and they were neither supported by social assistance nor by their legal supporters (NRB, 2001: 58). Second, the criteria separated into income and assets had been evaluated as resulting in the problem of inequality of benefit levels not only between recipients and non-recipients but also among recipients themselves, in particular, between working and non-working recipients (see NRB, 2001; Park, 2002: 12; SSWI, 2005). Thus, to solve these problems, the dual criteria were merged into new criteria called 'recognized income' in 2003. For the calculation of the recognized income, the value of assets above the assets ceilings is converted into income, and the converted income is then added in the claimant's total household income (i.e. recognized income = total household income + assets value converted into income). The value of assets converted into income is calculated as taking the value of assets and subtracting the assets limits and debt, and this is then multiplied by conversion rates, shown in Table 5.3. For example, if an applicant living in a big city³² has a house of 50 million won and has a debt of 10 million won, the amount of assets converted into income is 83 thousand won (i.e. $(50-38-10)*0.0417=0.083$), which means an earning of 83 thousand won is deemed to be produced every month.

The recognised income is actually unusual criteria amongst the OECD countries. The underlying logic of the criterion is that claimant's assets above the limits can produce income for the claimant (Park, 2002: 13). The integrated criterion has been evaluated as

³² Assets limit is 38 million won as shown in Table 5.2.

Table 5.3 Conversion rates of assets

	Property (house)	Financial assets	Cars
Conversion rate (%)	4.17	6.26	100

Source: MOHW (2005a).

contributing to reducing the problem of inequality mentioned above to some extent (Kim, 2003; SSWI, 2005). Yet the people with very low or without income, who were excluded from social assistance by the criterion, could not still receive assistance, although they were still one of the poorest groups. Debate on the levels of the conversion rates is thus under way at the moment, as the current rates set seem to be more or less high (SSWI, 2005).

Unlike many OECD countries, but together with only Germany, Switzerland and Japan, the Korean means test takes into account the income position of the claimant, and the extended family members who live elsewhere, which stresses stronger family obligations (Abe, 2002; Adema et al, 2003; OECD, 1999). As described above, those who have legal supporter(s) are not entitled to NBLs. The scope of legal supporters includes: a partner, parents, adult children and even people of the opposite sex, i.e. a daughter-in-law and a son-in-law (MOHW, 2005a: 5-6). Grandparents, adult grandchildren and applicant's siblings who live elsewhere can also be legal supporters if they share the living expenses with the applicant. Until 2004, grandparents and grandchildren could also become claimants' supporters, regardless of sharing of earnings. The obligation as a legal supporter is exempted in some cases such as if his/her income is less than 120 per cent of the income limit (i.e. minimum cost of living).

Traditionally support from the extended family is the most important source of income for the elderly in Korea. Many Korean commentators identified that income support from family and relatives have been much more effective to mitigate poverty than social transfer systems including social assistance (Choi, 2002; Hong 2002; Kim, 2002; Park et al., 2002; Son, 1999). However, the supportive role of the extended family has faded over the last decades. As shown in Chapter 4, the percentage of households containing three generations has fallen from 17.8 per cent in 1980 to 9.9 per cent in 2000, and 82 per cent of households in 2000 were nuclear families consisting of couple or single parent with dependent children, while only 8 per cent were the extended families (NSO, 2001a). Also the proportion of elderly people supported by their children has dropped to 44 per cent in 1994 from 64 per cent in 1988 (Rhee et al., 1994). The scope of supporters shown above indicates the Korean government still compels the first and maximum responsibility of the extended family for social welfare, although family ties have become distant. In 2003, 1 million people (about 2 per cent of the total population) were excluded from NBLIS because they did not meet the criteria of the absence of legal supporters, although they met the other criteria, i.e. income and assets (Yeo et al., 2004: 177).

With regard to the conditions of eligibility and entitlement, there seems to be little difference between the previous and present assistance schemes. The conditions for NBLIS are still strict and complicated to minimize the number of recipients, taking into account the financial constraints on total public expenditure, as discussed in Chapter 4.

5.1.4 Work incentives and labour market policy

As explained in Chapter 4, there were two types of recipients under the previous LP scheme: livelihood aid recipients who were unable to work; self-support care recipients who were capable of work. Self-support care recipients had not received income support until 1998, and only received it at a reduced rate for at most six months in 1999, whereas income support was provided for livelihood aid clients at 100 per cent of the standard rate of benefit throughout the year (OECD, 2000a: 128-130; 141). The NBLS scheme abolished the classification, and from 2000 there is no difference in the level of income support (such as Livelihood and Housing Benefits) between those able and unable to work. Claimants of NBLS however have to be available for work and actively seeking it, and are required to accept offered training or work in order to gain entitlement to benefit, unless they are exempt from this requirement. Until 1999, the requirement relating to work remained dormant, because people receiving social assistance benefit were mainly non-working age or considered as unable to work (OECD, 2000a: 135-136). With the enactment of the NBLS Act of 1999, work incentives have become one of the main areas of policy debate on social assistance. Regulations outline the circumstances in which claimants of assistance are exempt from the requirement to be available for work, as follows:

- If the claimant is aged under 18 or over 60
- If the claimant works less than 18 hours per week over one month
- If the claimant is incapable of work because of illness or disability
- If the claimant is a woman who are pregnant or are less than six months after the birth, or whose youngest child is aged under 12 months
- If having to work would endanger the proper upbringing of a child

- If the claimant has responsibility for the running of a household or for someone who needs substantial care.

The NBLS clients are also required to participate in activation measures. In 1996, re-insertion measures for social assistance recipients and other people with low-income took a first step with the establishment of the self-reliance aid centres, but until 1999, these activation measures remained latent and targeted at non-recipients (Kim et al., 2002: 1; OECD, 2000a: 136). By the NBLS law, working age recipients capable of work are required to participate in the Self-Reliance scheme. The aim of the scheme is to help people with low-income get out of poverty and to prevent unnecessary dependency of the employable poor on social assistance (Lee, 2004: 294). As measures to provide Self-Reliance benefit for those having the ability to work and working less than 18 hours per week for over a month, a self-support aid plan for each household depending on the recipient's working ability, employment situation, desire for self-support and living condition is provided from 2000 (MOHW, 2005b: 46-47). The municipalities are given the responsibilities to provide the Self-Reliance scheme and the self-support aid plan. The direction and services necessary for recipients' self-reliance are first determined by the welfare official at the local welfare office, and employment promotion measures such as job search activities, job training, public works, community-based employment programmes and self-reliance loans are provided under the Self-Reliance scheme.

The self-reliance aid centres provide activation programmes for promoting self-reliance, such as job-search assistance, job-counselling services and community-based employment programmes, in cooperation with local authorities, social welfare centres, religious groups and civil organisations. These centres are run by local groups but

designated by the Ministry of Health and Welfare, and partly or wholly funded by the public budget (OECD, 2000a: 136). The number of self-reliance aid centres increased to 242 in 2004 from 20 in 1999 (MOHW, 2005b).

The current Self-Reliance scheme is provided mainly for unemployed people including both NBLS recipients and non-recipients, and a large number of employed recipients (including full-time/part-time workers and wage earners in unstable jobs such as temporary or daily workers) are excluded from it, because the scheme is still underdeveloped. In 2003, 23 per cent of total NBLS recipients (about 300 thousands) were considered capable of work, of which only 13 per cent (40,000 beneficiaries) participated in an activation programme (SSWI, 2005: 56).³³ The coverage for recipients remained stable at 40,000 since 2001, while there was a steady increase in that for non-recipients, from 10,000 in 2001 to 20,000 in 2005 (MOHW, 2005b). As mentioned above, the Self-Reliance scheme aims to help the poor escape from poverty and to promote independence of social assistance clients, yet in practice, the role of the scheme is limited to a work-for-benefit measure for unemployed social assistance recipients. The government is planning to maintain the participation of recipients in the Self-Reliance scheme at the current level (i.e. 40,000) and to increase that of non-recipients up to 50,000 in 2008 (MOHW, 2005b: 13), yet not to include employed recipients. Thus on whom the activation programmes should target has become one of the main areas of policy debate on social assistance and active labour market policy (Kim et al., 2002; SSWI, 2005).

³³ The participation rate is considerably lower than other OECD countries. For example, in the case of Germany, 60 per cent of recipients considered employable participated in an activation programme in 2000 (Adema et al., 2003: 39).

With the introduction of NBLS scheme in 2000, sanctions for non-compliance with activation measures have also been imposed; if, without due reason, a claimant does not participate or drop out of any programme provided by the Self-Reliance scheme, Livelihood Benefit (main cash benefit) can be refused or terminated (MOHW, 2005b: 60). Failure to comply can result in total suspension of benefit for three months. In the case of repeated refusals, benefit is terminated until the individual attend the programme.

5.2 International comparison

In the next section, the current NBLS scheme is compared with social assistance schemes in other OECD countries to see how far Korea constitutes a unique case. The following eight countries representing different welfare state regimes and social assistance regimes have been selected: Britain, Germany, Sweden, Finland, the Netherlands, Ireland, Portugal and Japan. The rationale of choosing these countries was discussed in detail in Chapter 3.

5.2.1 Legislation and policy objectives

All the countries with written constitutions have included the individual right to a minimum income, and the obligation of the state to guarantee its citizens a minimum standard of living. In each country considered here, the main aim for social assistance, set in legislation or policy statements, is to guarantee a minimum standard of living to those with few or no other resources. The aim consists of two key functions or principles of social assistance: providing guaranteed minimum income; protecting people in need from hardship, i.e. preventing poverty (Kuivalainen, 2004: 91). With regard to the minimum standard, countries vary in defining the minimum level to be

guaranteed. In Sweden, Finland and Germany, the aims refer to a decent standard, those in keeping in human dignity or those prevalent in society, while, in the UK, Portugal, Japan and Korea, reference is made to minimum standards. The question of what constitutes the level of minimum is discussed in detail in Chapter 6.

The majority of countries place an emphasis on the principle of subsidiarity. In other words, social assistance is a supplement to all available help or resources, and all other benefits must be consumed before there is a call on social assistance. It is thus provided as a last resort.

Most countries in this chapter explicitly set the second aim, in addition to the main aim, for social assistance: promotion of social integration (or prevention of social marginalization) and self-reliance. The exceptions include the two Anglo-Saxon countries (UK and Ireland), where any other legislative aims are not stipulated apart from the relief of hardship. With regard to the second aim, there are two kinds of measures (Ditch, 1999: 122). Measures to promote social integration, which elevate individual growth, development, integration and participation, can be seen in a positive way. These measures are provided with the forms of voluntary training programmes, arrangements to support to childcare, in-work benefits and other means of social work. On the other hand, measures to minimize the disincentives to paid employment and the promotion of self-reliance and individual responsibility can be seen in a negative way. Negative measures constitute tighter conditionality rules for the receipt of benefit and stricter conditions of eligibility. These work-for-benefit measures, which aim not only

to boost financial means but also to prevent long-term dependency³⁴, have increased during the last decade in many OECD countries (Kuivalainen, 2004: 120-121; Lødemel and Trickey, 2001: xii; Saraceno, 2002: 255). This issue is dealt with later in this chapter.

5.2.2 Regulatory and administrative framework

The UK, Ireland, Portugal and Korea have nationally-set scale rates and there are no regional differences in benefits (Kuivalainen, 2004: 143; MISSOC, 2005; Yeo et al., 2004). In these countries, social assistance is organised and regulated at the national level. In Ireland, Local Community Welfare Officers have a certain degree of discretion in relation to individual cases, in particular in the case of those with special needs (MISSOC, 2005: 319).

³⁴ Previous studies found that there is no evidence that social assistance *per se* creates dependence (Leisering and Leibfried, 1999; Saraceno, 2002; Walker and Shaw, 1998). While Saraceno (2002: 245) shows the prevalent idea that the majority of social assistance beneficiaries are long-term ones simply does not correspond to reality, on the one hand. On the other hand, long-term dependency is more influenced by the characteristics of the recipients – those having specific disadvantages, such as being disabled, ill, aged, female with heavy family demands, low education and skills etc. – than the corrupting feature of social assistance – generosity or lack of rigid constraints.

In a number of the countries of the study, social assistance schemes are administered at the local level to a varying degree within national guidelines for benefit rates.³⁵ In Sweden, Finland, Germany, the Netherlands and Japan, benefit levels are nationally set, but the levels differ between local municipalities. In Finland, two categories are in use according to the municipality classification (MISSOC, 2005: 919). In Japan, the benefit levels vary between six categories of municipalities in relation to living standards (Eardley et al., 1996b: 246). In Sweden, the minimum benefit rates are fixed at the national level after a national minimum standard of social assistance was introduced in 1998, but there is still a strong local variation as municipalities continue to finance and to administer the scheme (Behrendt, 2002: 109-110; Kuivalainen, 2004: 143). In Germany, standard benefit rates (*Regelsätze*) are set by the federal state (*Länder*). The standard rates vary between the individual state, but only marginally (MISSOC, 2005: 318).³⁶ In the Netherlands, municipalities have a discretionary power to determine the additional allowances of no more than 20% of the minimum wage for people living alone (MISSOC, 2005: 619).

5.2.3 Conditions of eligibility

Table 5.4 provides a comparative outline of main conditions of eligibility for the means-tested social assistance benefits in the countries studied. Here only general assistance is included and other types of benefits, i.e. categorical or tied benefits, except housing benefits, are excluded. The table presents main features of eligibility, including the

³⁵ In some countries such as Spain, Italy and Norway, social assistance is locally regulated and locally administered (Bradshaw and Finch, 2002: 120).

³⁶ In 2005, the rates vary between €331 and €345.

Table 5.4 Main conditions of eligibility

	Benefits		Legal basis		Nationality/ Residence		Age	Duration	Other
Swe	Social Welfare Allowance		Law of January 2002		No nationality requirements		No age limits but in practice 18	Unlimited	
Fin	Living Allowance		Social Assistance Act, 1997		Without regard to nationality		No age limits but in practice 18	Unlimited	
Ger	Sozialhilfe		Federal Social Assistance Act, 1961		Nationals and citizens of all EU Member States, but restrictions for other foreigners and asylum seekers		No age conditions	Unlimited	
NL	Algemene Bijstand		National Social Assistance Act, 1965		Without regard to nationality, all persons residing in the country		In general, from 18	Unlimited	
UK	Income Support		Income Support (General) regulations 1987, Social Security Administration Act, 1992		No nationality requirement, but claimants who have lived outside the UK must satisfy the habitual residence test		Normally 18	Unlimited	People working less than 16 hours a week
Ire	Supplementary Welfare Allowance		Social Welfare (Consolidation) Act, 1993		Without regard to nationality, all persons residing in the country		In general, from 18 years of age	Unlimited	People not working over 30 hours a week
Por	Social Insertion Income		National Law 13/03 of 21 May 2003		Independent of nationality		Normally 18	12 months, extendable	
Jap	Public Assistance		Public Assistance Law, 1950		Nationals and others with long-term residence licence		No age conditions	Unlimited	
Kor	National Basic Livelihood Security		National Basic Livelihood Security Act, 1999		Nationals and recognised refugees, excluding		No special lower age limit	Unlimited	People working less than 18 hours

Source: Abe (2002); Eardley et al. (1996a, 1996b); Kuivalainen (2004); MISSOC (2005); MOHW (2005a).

designation and applicable statutory basis of general social assistance provision, nationality/residence and minimum age requirements, duration of benefit entitlement, and other important country-specific criteria.

Minimum age thresholds

Over half of the countries have not adopted an explicit minimum age, but in practice it is set mostly at the age of 18 years.³⁷ In Ireland, the Netherlands, Portugal and the UK, entitlement to social assistance benefit can generally be established after an individual reaches the age of 18. Germany has no lower age limit so minors can claim on their own right, but parents have strong responsibility to support children (Behrendt, 2002: 91; MISSOC, 2005: 314). In Japan, there are no age conditions, though the assumption is still that parents would normally support children at least until they leave school (Eardley et al., 1996a: 50-60). Korea has no lower age limit, but parents have legal obligation for supporting their children. In particular, parents are responsible for unmarried children living together at least until they reach the age of 29 (MOHW, 2005a). The minimum age thresholds confirm parents' responsibility for supporting their children. In most countries, the parent's responsibility is extended to students in higher education. Social assistance benefits are, in general, not entitled to students because of the parental obligation and the availability of student loans - but any detail of

³⁷ There are some countries, which are not included in this chapter but set a higher age: 25 years in Spain (except the regions of Andalusia, which has a minimum age of 35 for applicants who live alone) and France, and 30 years in Luxembourg, though people with dependent children (including those pregnant) and people with disabled dependents are generally not included in the formal age limit (Eardley et al., 1996a: 50-60; Guibentif and Bouget, 1997: 13).

this topic is not dealt with in this study (for further details, see Behrendt, 2002: 90-92; Eardley et al., 1996a: 59-60; Kuivalainen, 2004: 124-125).

In the international context, this policy needs to be seen in the light of wider policies on access to non-means-tested unemployment schemes as well as youth training and labour market, while these sorts of provisions seem to embody some problems since placements are not always possible or suitable (Behrendt, 2002: 90; Eardley et al., 1996a: 59-60). In Korea, a range of employment support programmes such as Self-Reliance programmes are provided for recipients and other people on low-income throughout all ages, but there is little special training programme focusing on young recipients. In the Korean context, this policy also needs to be seen in the light of family obligation. This topic is discussed later in the chapter.

Nationality and residence conditions

Parts of the population are also excluded from eligibility because of nationality and residence conditions. As can be seen in Table 5.4 above, all schemes considered require the applicants to be national, citizen or resident, and these requirements limit the entitlement to social assistance benefits for some groups such as recent migrants, particularly refugees or asylum seekers. In most countries, residence conditions are more important than nationality conditions. Refugees and asylum seekers are not eligible for general social assistance, but are covered by separate schemes with lower benefit levels in many countries.

In over half the countries in the chapter, i.e. Finland, Sweden, the Netherlands, Ireland and Portugal, eligibility for the general social assistance benefit is not strictly limited to nationals, but all persons legally residing in the country are eligible for it. In the UK,

from 1994, claimants, who have lived outside the UK during two years before the date of claim, must satisfy the 'habitual residence test' assessing if claimants' 'centre of interests' actually lies in the UK on the basis of previous behaviour and future intention (CPAG, 2004; 692-694; MISSOC, 2005: 915).³⁸ In Germany, nationals, citizens of the signatory countries to the social security agreement (e.g. all EU Member States) are eligible for general social assistance. The most restrictive are Japan and Korea, where foreign nationals are not entitled to social assistance. In Japan, however, foreigners with long-term residence (legal foreigners) can also receive benefit, though they have no entitlement in law, but illegal foreigners are not covered by social assistance (Abe, 2002: 29).

One of the groups most likely to be excluded from or be treated distinctively in social assistance is refugees and asylum seekers. In Sweden, asylum seekers are not entitled to general social assistance, but covered by special and reduced payments (*ekonomiskt bistånd till asylsökande*) since 1988 (Behrendt, 2002: 93-94). Germany has also made separate provision for asylum seekers and other foreigners. Facing the pressure of rising number of war refugees and economic migrants, a special social assistance scheme for asylum seekers that is governed by the Asylum Seeker Benefit Act (*Asylbewerberleistungsgesetz*) was introduced in 1993. Since then, asylum seekers and other persons without a residence permit no longer have access to general social assistance, but are covered by the Asylum Seekers Benefit with reduced benefit rates (Adema et al., 2003: 30-31). In Britain, refugees were generally eligible for Income support. Asylum seekers are not entitled to general social assistance, but may receive

³⁸ Habitual residence test affects entitlement to Income Support, Housing Benefit, Council Tax Benefit, Jobseeker's Allowance and Pension Credit.

Urgent Cases Payments at a reduced rate (Eardley et al., 1996b: 393; CPAG, 2004: 660-661). In 2000, a change was made. Asylum seekers are excluded from claiming social security benefits, but may receive support either from the National Asylum Support Service or local authorities (CPAG, 2004: 662-667). Ireland followed a similar strategy. Asylum seekers can no longer access full welfare benefits (Supplementary Welfare Allowance and Rent Allowance), but receive separate and lower level of assistance (Kuivalainen, 2004: 123-124).

Finland, Japan and Korea followed different strategies. In Finland, unlike in other European countries considered here, asylum seekers and refugees have eligibility for general social assistance, but at a reduced rate (Kuivalainen, 2004: 122-123). In Korea and Japan, people accepted as refugees are treated as nationals and are eligible for claiming social assistance, but asylum seekers are not (Eardley et al., 1996b: 244; MOHW, 2005c).

The labour market outcomes of immigrants, especially refugees and asylum seekers are generally poor because of low levels of educational attainment and language problems etc. The economic vulnerability of foreigners contributes to making up a considerable part of the social assistance caseload in some countries such as Sweden and Germany.³⁹ In Sweden, one in four recipients were immigrants (see Heikkilä and Keskitalo, 2001: 49-50), and in Germany, the proportion of foreigners among the recipients were three times as high as nationals (see Adema et al., 2003: 29-31).

³⁹ In Denmark, which is not considered in the chapter, the proportion of immigrants among the social assistance recipients has increased to 26 per cent in 1998, from 18 per cent in 1994 (Heikkilä and Keskitalo, 2001: 49-50).

Korea has accepted substantially lower numbers of refugees, asylum seekers and migrants than European countries, particularly Germany, the UK and Sweden, though the numbers have increased (Table 5.5). With regard to residence and nationality conditions, the Korean government has been criticised because foreigners and asylum seekers are in effect denied access to social assistance, in spite of their economical vulnerability and far lower numbers of refugees and asylum seekers (Moon, 2005: 262-265).

Table 5.5 Refugees and asylum seekers (2002-04)

	Ger	UK	Swe	NL	Ire	Jap	Kor
2002	104,000	79,200	24,900	17,200	6,500	6,500	1,200
2004	83,300	22,200	19,400	12,800	10,800	6,100	2,200

Notes:

1. Most numbers have been rounded.

2. Refugee status precedes its recognition. Most of the refugees in selected countries do not receive formal determinations of their status under the 1951 Convention. The numbers in each country therefore include not only those who are officially recognised as refugees but also asylum seekers awaiting determinations, recipients of more general forms of social protection granted for similar reason, and others considered as refugees by USCRI.

3. No data available on Portugal.

Source: USCRI (2003, 2005).

Other conditions

Duration is unlimited in most countries in the chapter as long as the conditions of eligibility are met and the income of the individual/household is below the minimum income thresholds. The only exception is the Southern European country, Portugal, which imposes time limit on social assistance benefit, though it is extended if fulfilment

of the legal conditions is proved.⁴⁰

In some countries, there are restrictions on work hours. In the UK, claimants working more than 16 hours per week cannot get Income Support.⁴¹ In Ireland, claimants in full-time employment (30 hours per week or over) are not eligible for Supplementary Welfare Allowance. In Korea, those people working more than 18 hours a week are excluded from NBLS benefits.

5.2.4 Conditions of entitlement

Virtually all social assistance schemes in the chapter operate with the same underlying principle of the means-test, seeking to ensure that benefits are targeted on the most needy. The principle implies a set of rulings about what constitutes the resources of a claimant, with whom these resources are assumed to be shared, who in a family or household should be expected to contribute personal resources to the upkeep of other individuals, and how much of the available private resources must be exhausted before being entitled to social assistance (Eardley et al., 1996a: 61). The conditions of entitlement, each country takes on, reflect the balance of responsibilities between the state, individual and family. The more conditions there are to be met in order to be entitled and the stronger family obligation and the wider resource unit, the weaker the social right is and consequently the less society's responsibility.

⁴⁰ Spain, France and Italy also limit the duration of entitlement to assistance benefits (MISSOC, 2005).

⁴¹ This was changed in 1992 from 24 hours per week, aiming at improving links to the labour market (Eardley et al., 1996b: 412).

Benefit and resource units

Table 5.6 summarizes information on the conditions of entitlement to social assistance schemes in the countries. In most countries, the benefit unit – the actual unit for whom benefit is payable – is the claimant, spouse and dependent children, i.e. the nuclear family. The exceptions are the two East Asian countries, Japan and Korea, where treat the households as the benefit unit. Many countries also treat the nuclear family as the resource unit – that is, whose resources must be taken into account. But several countries require an extended family support. In other words, the income of other people living with the claimant, or in some cases those of separate households are also considered for the means test. In Portugal, the means test considers the income position of all relatives under age, including grandchildren, stepchildren and those fostered or adopted (MISSOC, 2005: 920). Germany takes into account the income of parents, adult children and spouses (separated or divorced) (Adema et al., 2003). Japan and Korea can expect people of linear descent and the opposite sex who live elsewhere, and even other siblings to contribute to the income of a claimant, if their income warrants it (Abe, 2002: 30; MOHW: 2005a: 5-6).

The assumption of familial dependence is present in all the countries when entitlements to social assistance benefits are considered. Claims on social assistance thus may only be made if family (or extended family) income falls below the level set by the family means test. Social policy strengthens this family dependency by casting the family as the provider of first resort (Rake, 1999: 240). The principle of subsidiarity between families and the state is established by the family means testing, with claims to benefits only available where family support is non-existent or has been consumed (Leibfried and Ostner, 1991; Rake, 1999).

Table 5.6 Main conditions of entitlement

	Resource unit	Income and assets disregard	Work-testing
Fin	Family	All income and assets are taken into account, small parts can be disregarded	Must register as unemployed with unemployment office
Swe	Family	All income and assets are taken into account	Must seek work actively and accept all work offered
Ger	Household (including other relatives)	Some parts of income and assets are disregarded	Must be looking for work and participate in activation programmes
NL	Family	Some parts of income and assets are disregarded	Must seek work actively, accept suitable work and register at employment office
UK	Family	Some parts of earnings and assets are disregarded	None. Persons capable of work are entitled to income-based Jobseeker's Allowance
Ire	Family	Some parts of assets are disregarded	The unemployed are normally entitled to an unemployment payment
Por	Family (and relatives under age)	Small parts of earnings are disregarded	Must be available for work and activation programmes
Jap	Household (including other relatives)	Small parts of assets are disregarded	Persons capable of work are unlikely to be given social assistance
Kor	Household (including other relatives)	Small parts of earnings and assets are disregarded	Must seek work actively and accept all work offered

Source: Abe (2002); Adema et al. (2003); Behrendt (2002); Eardley et al. (1996a, 1996b); Kuivalainen (2004); MISSOC (2005); MOHW (2005a).

The nature and the role of social assistance within a society or a country are contingent upon the extent of family support obligation and upon the role of family and kinship in

general (Kuivalainen, 2004: 61). In societies, where have a strong tradition of family responsibility and obligation, social support is more supplementary to support from family or relatives, and the role of family and kinship is more important than the societies, where place less emphasis on a maintenance or resource-sharing obligation. In those societies, the maximum welfare obligation is assigned to the household (Esping-Andersen, 1999: 45). In Europe, the nature of familialism is mainly recognised in Conservative welfare states⁴², such as Germany, and Southern Europe. Attempts to shift obligation back on to the extended family have been mostly unsuccessful and difficult to enforce in European countries (Eardley et al., 1996a: 67; Ditch, 1999: 124).

As shown above, the two East Asian countries have a wider concept of family obligation than most European countries considered here⁴³. The reason that Asian systems seem to be informal is due to the living arrangement on which they are based. Familialism is, in fact, one of the underlying principles of Asian social policies. Rapid socio-economic changes in East and South East Asia have, however, resulted in the dramatic demographic transitions, such as changes in fertility rates and old-age dependency ratios, and have weakened the traditional family support. For example, the

⁴² Conservative/Corporatist or Christian democratic welfare regime stresses the family and the social group rather than the individual, and the society rather than the state (van Kersbergen, 1995: 178). The regime builds upon a fragmented system of status-based institutions and the protection of the traditional family.

⁴³ Unlike most European countries, Switzerland, not included in the chapter, may require parents and grandparents, and adult children and grandchildren for their parents and grandparents, even potentially other siblings to support social assistance claimants (Eardley et al., 1996b: 374; OECD, 1999).

percentage of the elderly living with one child or as least one married child has been falling in Japan, Korea and Taiwan over the past decades, though it remains high by European standards (Hermalin, 2000). In Korea, the proportion of the elderly not living with their children increased more than twice to 47 per cent between 1984 and 1998 (OECD, 2000a: 123). In Japan, the figure was also 45 per cent in the mid-1990s (Scherer, 2003: 170). These traditional family support obligations in East and South East Asia have, therefore, become less effective as traditional ties have become looser (Scherer, 2003: 179). In this context, the Korea's wider kin obligation has been criticised for not reflecting the weakening family ties (see Kim, 2003; NRB, 2001; OECD, 2000a; Yoon, 2003).

Resource testing

A critical feature of social assistance is the nature of the means test, consisting of two facets – the extent to which earnings are disregarded and how assets are taken into account. The stricter income and assets tests, the weaker social rights and the more responsibilities are tied to the individual/family (Kuivalainen, 2004: 128-129). Basically, the aim of resource testing is to ensure that benefits are directed towards the poorest groups of the population (Behrendt, 2002: 97). Eardley et al. (1996a: 79) found that the level and the type of earnings, other income and assets that are exempted or discounted from means-testing are varied and are based on different countries' expectations of family responsibility, the emphasis placed on work incentives, social attitudes towards lone parenthood and cohabitation, and the relative position and importance of means tested assistance programmes within the social protection systems.

Looking at the treatment of earnings (Table 5.6), first are those countries in which a part of earnings are disregarded on a regular basis, such as Germany, the UK and Portugal.

In Germany, earned income is disregarded up to 50 per cent of the standard benefit rate since 1993 (Behrendt, 2002: 99).⁴⁴ The British scheme (Income Support) allows claimants to retain a weekly income of £5 per individual and £10 per couple, which equals 10 per cent and 12 per cent of the standard rate respectively. A higher disregard of £20 applies to lone parents, which equals 30 per cent of the single standard rate plus family premium, and the same amount (£20) applies to persons receiving the disability premium or higher pensioner premium (Kuivalainen, 2004: 130). In Portugal, 20 per cent of education scholarships and earnings from work and occupational training are disregarded (OECD, 2002, 2004c).⁴⁵

Finland and the Netherlands constitute a second group. In both countries, some earnings can be disregarded if in doing so the family is more likely to become self-supporting, though there has been wide regional variation in the practice of disregarding earnings (Kuivalainen, 2004: 130). In Finland, by a new three-year pilot law introduced in 2002, 20 per cent of earnings are disregarded up to €100 per month per household, and income related to training and rehabilitation is not taken into account. In the Netherlands, the local authorities have had the discretionary right concerning earnings disregards since 1996, and 25 per cent of earnings from part-time work can be

⁴⁴ 25 per cent of the standard payment rate (€129) is disregarded from income plus an additional 15 per cent up to a maximum of €143 per month, subject to variation across states. 33 per cent of the standard rate (€95) and 25 per cent of earned income up to a maximum of €143 is disregarded for lone parents (Adema et al., 2003: 18).

⁴⁵ If a claimant (or a member of his/her family) starts a new job during the receipt of the Social Insertion Income, earned income is disregarded up to 50 per cent during the first 12 months of work.

disregarded, if they are considered to promote the claimant's independence. Korea falls into another group with limited disregards. In Korea, earnings disregards are partially applied to social assistance clients (MOHW, 2005a). 30 per cent of earnings from training, rehabilitation and public works are disregarded. Students are also allowed to keep 30 per cent of earned income, but no disregard applies to non-students. Sweden, Japan and Ireland have the most stringent tests and allow the least amounts of extra earnings to be retained, as in principle all forms of household earnings are taken into account (Gough et al., 1997; Kuivalainen, 2004)

Another important aspect of the means test is the extent to which assets are disregarded. Relatively strict assets tests are found in the Nordic and the East Asian countries, where all capital and assets are taken into account except the family dwellings, personal effects and equipment required for work. In Sweden, even the value of the claimant's car and home is fully taken into account, yet some municipalities may allow them to keep them (Behrendt, 2002: 97). In the same group is Finland, even though a small part of assets can be disregarded (OECD, 2002). In Korea, owner-occupied homes, cars and land below the specified levels and some amounts of capital are disregarded (MOHW, 2005a: 72-87).⁴⁶ Japan and Portugal come into this group since it is reported that assets such as land, houses and farms are all counted, unless the applicant is actually living or utilizing them and they are not luxurious (Abe, 2002: 30; Eardley et al., 1996b). In the

⁴⁶ Households living in big cities with a home above 38 million won (equivalent to approximately £30,450 in 2004 purchasing power parities), or those with a car both above 2000cc for disabled persons and above 1500cc for non-business use are excluded from the NBLIS entitlement. The amount of disregarded capital is ₩3,000,000 (approximately £2,405).

Netherlands and the UK, there are relatively high disregards on assets.⁴⁷ Disregards in the Irish social assistance are much smaller.⁴⁸ In Germany, the amounts of disregarded assets are significantly smaller than the UK and the Netherlands but larger than Ireland, the Scandinavian and the East Asian countries.⁴⁹

In various countries, social security benefits are, in general, taken into account, but some benefits are disregarded if they are payable for specific purposes and those crucial needs do not be met in general social assistance. Benefits that are not calculated as resources include: the child-raising allowance (*Erziehungsgeld*) and the basic pension according to the War Pensioners Act in Germany, child-care benefits in Korea, family benefits in Ireland and Portugal, contributions to private pension schemes in Britain⁵⁰ and one-off maternity benefit in Finland (Kuivalainen, 2004: 130; MISSOC, 2005; MOHW, 2005a: 57). On the other hand, in all the countries, as an element within the general social assistance payment, all or parts of the housing costs are provided either

⁴⁷ In the Netherlands, savings over €10,210 for couples and lone parents and €5,105 for single persons of capital are taken into account. In the UK, the first £3,000 of capital is ignored and a weekly income is assumed from savings of between £3,000 and £8,000 so a deduction of £1 for every £250 is made. There are higher limits for those aged 60 or over and people living in residential care or nursing homes (MISSOC, 2005: 621, 921).

⁴⁸ The value of capital and assets is calculated according to a formula of 5 per cent of the first €50,790 and 10 per cent of the balance. The yearly value is divided by 52 to give the weekly income (Kuivalainen, 2004: 129).

⁴⁹ The assets ceilings are €1,278 for the claimant, €614 for the spouse and €250 for each child (Adema et al., 2003: 22).

⁵⁰ 50 per cent of contributions are disregarded (Behrendt, 2002: 98).

only for social assistance beneficiaries, or in other separate and general means-tested housing benefit schemes for all people with low-income.

5.2.5 Work and incentives

Many countries have witnessed a significant change in social assistance during the past decade – the introduction and spread of work-test or work-seeking requirements into social assistance. This can be seen as a paradigm shift from passive to active measures (Lødemel and Trickey, 2001). The main idea of work requirements and activation policies is that recipients must work in return for social assistance (Saraceno, 2002: 92). These measures aim not only to boost financial means but also to prevent long-term dependency.

In most countries considered here including Sweden, Finland⁵¹, Germany⁵², the Netherlands and Portugal, able-bodied working age recipients for social assistance benefits are required to seek work using all available means and are offered incentives to work. In these countries, availability to take a job is an essential requirement so as to

⁵¹ In Finland, the obligation to register as unemployed with the unemployment office was introduced in 2001. Until 2001, recipients had not been requested to register with that or to seek work actively. While the extent of obligation remains rather narrow, since the recipients are only required to register with the unemployment office (see Kuivalainen, 2004: 133).

⁵² The work-for-benefit measures in Germany remained latent until 1990s, since the majority of the social assistance beneficiaries had been considered unable to work (Voges et al., 2000: 71).

receive benefits – the recipients are usually registered with the employment services and are requested to accept offered job training or work. The exceptions to this include the UK and Ireland, where general assistance is only intended for those who are not engaged in full-time work and the work-tests are not applied to recipients for general assistance. Unemployed people who are capable of work are not covered by general social assistance but are covered by separate schemes.⁵³ Japan forms a distinctive group. As for the utilization of the ability to work, persons capable of work cannot normally get general social assistance, neither any unemployment payments except an unemployment insurance benefit (Abe, 2002: 30).⁵⁴

Korea forms another distinctive group. Like in the majority of the countries considered in the chapter, people who are capable of work are required to seek work and are offered incentives to work, but those working more than 18 hours a week are not entitled to general social assistance. Yet, unlike in the UK and Ireland where those who are in full-time work are covered by separate schemes, in Korea people who work more than 18 hours are covered by neither social assistance nor any unemployment payments.

⁵³ In the UK, since 1996, work-test has not been applied to the beneficiaries of Income Support and unemployed persons are entitled to income based Jobseeker's Allowance. In Ireland, the unemployed are normally be entitled to Unemployment Assistance as distinct from Supplementary Welfare Allowance (MISSOC, 2003: 547-549).

⁵⁴ In Japan, only 0.75 per cent of the population received general social assistance in 1998. Among them, the majority of the recipient households (87.7 per cent) did not have any working member (which means they are elderly households, households with sick or disabled members and lone parents etc.), and households with working members made up only 2.5 per cent of all recipient households (Abe, 2003: 30).

One of the reasons for that can be strong expectation of work in Korean society (OECD, 2000a). However, given that the low coverage of unemployment benefits (covering only about 20 per cent of unemployed people) and the NBLIS scheme (covering three per cent of the total population), a large number of people with low-income seem to live without any support from the social protection system due to the working hour condition.

In virtually all countries, there are some categories of recipients who are treated as being unavailable for work and are exempted from work-tests – people who are ill or disabled, or older people, and students or people who have to care for dependent children. The major variations relate to lone parents, especially to the age of children who exempt lone parents from the work-seeking requirements.⁵⁵ Germany is the most liberal country. Lone parents are exempt from work requirements until the child reaches the mandatory school age of seven, but activation measures are, in general, not targeted on lone parents (see Adema et al., 2003: 28). In the Netherlands, lone parents who are responsible for a child under five years old are not required to seek work. In Korea and Sweden, the qualifying age is one year old (Kuivalainen, 2004: 133; MOHW, 2005b: 41). In the UK and Ireland, where work-tests are not applied to recipients for general assistance but are applied to unemployed people available for work, lone parents are not obliged to look for work until their children are 16 years (see CPAG, 2004: 298; Eardley et al., 1996b: 147-148). The situation is not clear in the case of Japan and Portugal.

A range of activation measures or work-for-benefit programmes has been extended throughout the 1990s in most countries considered here and the early 2000s in Finland

⁵⁵ Eardley et al. (1996a: 147-148) also identified the way lone parents are treated varies across countries.

and Korea. These kinds of programmes are intended to encourage recipients to return to work: vocational training arrangements, job search programmes, earnings disregards in the means testing, loans and grants for work experiences or self-employed business start-up. This chapter, however, did not collect information on workfare programmes for social assistance beneficiaries because of the focus of this research. In most countries, including the UK and Ireland where unemployed people are covered by separate schemes, recipients must accept all jobs or job training offered to them.⁵⁶ In the majority of the countries, municipalities or social institutions are obliged to implement or provide employment schemes. Japan is the only exception to these activation measures, since unemployed people are normally unavailable for both general social assistance and unemployment assistance, and there is no obligation for social assistance recipients to participate in an activation programme.

In most countries, there are sanctions, which recipients may suffer if they fail work tests or refuse to participate in activation programmes offered. This underpin obligation of unemployed recipients to seek work actively or to participate in work-for-benefit programmes (Kuivalainen, 2004; Spies and van Berkel, 2000). The negative incentives take the form of partial (in the case of Finland, Germany and Sweden) or full suspension (in the case of Korea, the Netherlands and the New Deal for the UK) of benefits until the individual complies (see Adema et al., 2003: 42; Kuivalainen, 2004: 135-136; Lødemel and Trickey, 2000: 276-278; MOHW: 2005b: 38). The situation is not clear in the case of Portugal.

⁵⁶ For more detail, see Lødemel and Trickey (2000) and Kuivalainen (2004).

5.3 Summary

This chapter has analysed the social assistance scheme in Korea at the institutional level, and compared it to social assistance schemes in eight OECD countries. Compared to the previous assistance scheme, NBLS is not significantly different in the conditions of eligibility and entitlement, although there has been a paradigm shift in the category of social assistance from categorical to general assistance. The conditions are still strict and complicated, even though there have been remarkable changes in the contents of the new law in comparison with the previous law.

In each country considered here, the main aim for social assistance is to guarantee a minimum standard of living. With regard to the minimum standard of living, the countries vary in defining the minimum level to be guaranteed. In Korea, reference is made to minimum standards, together with Japan, the UK and Portugal. In contrast, in Sweden, Finland and Germany, the aims seem to provide more generous standards.

Over half of the countries, in practice, set the minimum age thresholds mostly at the age of 18 years, which confirm parents' responsibility for supporting their children. Korea has no lower age limit, but parents have legal obligation for supporting their children. In particular, parents are responsible for unmarried children living together at least until they reach the age of 29. Germany and Japan also have no lower age limit, but parents have strong responsibility to support children until they leave school. In most countries, residence conditions are more important than nationality conditions. Refugees and asylum seekers are not eligible for general social assistance, but are covered by separate schemes with lower benefit levels in many countries. The most restrictive are Korea together with Japan, where foreign nationals and asylum seekers are not entitled to

social assistance, in spite of their economical vulnerability and far lower numbers of refugees and asylum seekers than other European countries.

The most significant disparities between countries are discovered in the benefit and resource units and resource testing. Many countries considered here treat the nuclear family as both benefit and resource units, but several countries require an extended family support. Korea together with Japan can expect people of linear descent and the opposite sex who live elsewhere, and even other siblings to contribute to the income of a claimant, if their income warrants it. In Portugal, the means-test considers the income position of all relatives under age, including grandchildren, stepchildren and those fostered or adopted, while Germany takes into account the income of parents, adult children and spouses (separated or divorced).

Earnings disregards are partially applied to social assistance clients in Korea. Some earnings from rehabilitation and self-reliance programmes are disregarded but those from general paid work are not. Sweden and Ireland have the most stringent means-tests and allow the least amounts of extra earnings to be retained, as in principle all forms of household earnings are taken into account. Relatively strict assets tests are found in the Nordic and the East Asian countries including Korea, where nearly all capital and assets are taken into account. In contrast, there are relatively high disregards on assets in the Netherlands and the UK. In Germany, the amounts of disregarded assets are significantly smaller than the UK and the Netherlands but larger than Ireland, the Scandinavian and the East Asian countries. In all the countries, as an element within the general social assistance payment, all or parts of the housing costs are provided either only for social assistance beneficiaries, or in other separate and general means-tested housing benefit schemes for all people with low-income.

In many countries, work-test is emphasised among able-bodied working age recipients. Yet in Korea, work-test is applied to able-bodied recipients, but those who are engaged in full-time work are excluded from both the NBLIS benefits and unemployment benefits. While, in the UK and Ireland work-test is not applied to general assistance recipients, people who are capable of work are not covered by general social assistance but are entitled to separate schemes. In Japan, persons capable of work cannot normally get general social assistance, neither any unemployment payments. In most countries, there are sanctions, which recipients may suffer if they fail work tests or refuse to participate in activation programmes offered.

Table 5.7 draws together the main findings of social assistance arrangements identified in the chapter. This ranks countries according to their score along the seven dimensions shown in the table: nationality and residence conditions, duration, administrative and regulatory framework, narrowness of resource unit, generosity of income, assets and work-tests. Variables in the seven columns are weighted equally and combined into a single index. The most exclusionary social assistance schemes are in the East Asian countries including Korea and Japan, while the UK is closest to the ideal of a social right to social assistance, followed by Ireland and the Netherlands. In between are found Finland, Germany, Portugal and Sweden. The Korean scheme NBLIS has strict rules with regard to nationality and residence as well as means and work-test, while there is no time limit. It is regulated and organised nationally and there are no regional variations in benefits. The resource unit extends beyond the nuclear family to embrace other household members, requiring a much wider concept of family obligation.

Table 5.7 Summary table of the conditions of eligibility and entitlement

	Nationality/ Residence	Dura- tion	Regulatory/ Administrative framework	Resource unit	Income testing	Assets testing	Work- test	Index
Swe	3	2	1	2	1	1	1	11
Fin	3	2	1	2	3	1	1	13
Ger	2	2	1	1	3	2	1	12
NL	3	2	1	2	2	3	1	14
UK	2	2	2	2	3	3	2	16
Ire	3	2	2	2	1	2	2	14
Por	3	1	2	1	3	1	1	12
Jap	2	2	1	1	1	1	1	9
					(but discretionary)			
Kor	1	2	2	1	2	1	1	10

Notes: Column (1): 1 = nationals only; 3 = all persons residing in the country; 2 = between these two

Column (2): 1 = limited; 2 = unlimited

Column (3): 1 = national/local; 2 = national/national

Column (4): 2 = family; 1 = beyond the nuclear family

Column (5): 1 = applying no disregard; 2 = applying only small disregard; 3 = some parts of earnings are disregarded on a regular basis

Column (6): 1 = taking into account all liquid assets; 2 = applying only small disregard; 3 = some parts of assets are disregarded on a regular basis

Column (7): 1 = yes; 2 = no

Chapter 6 Benefit levels and generosity

The level and generosity of social assistance scheme in Korea are analysed in this chapter. As in earlier chapters, Korea is first examined and it is then compared with eight countries in this chapter. First how the level of social assistance is determined and administered is examined, and then the level of income provided through social assistance is analysed in absolute terms, followed by the benefit level relative to average income. Like the previous chapters, special focus is on: whether or not there has been any significant improvement within Korean social assistance; how far Korea differs from other countries considered here.

6.1 Poverty lines and minimum living standards in Korea

Thresholds with regard to income or resources below which people can be considered as poor are defined by poverty lines. Poverty lines are based on scientific measures (Veit-Wilson, 1998). By contrast, minimum living (or income) standards are based on political decisions, i.e. political consideration of acceptability (or feasibility) and cost although the minimum living standards could make use of scientific findings (Gordon and Spicker, 1999: 105; Veit-Wilson, 1999: 82-83). In some countries, the minimum living standards are called official poverty lines to be applied to benefit levels for social security and social assistance benefits (Gordon and Spicker, 1999; Hwang, 2002; Veit-Wilson, 1999). Korea also belongs to the latter one.

The way in which poverty is measured has been one of the main debates in the Korean

social policy because unlike some other countries⁵⁷, Korea has no generally accepted definition of poverty or poverty standard. Yet the minimum living standards have customarily been accepted as an official poverty line in Korean context since the early 1970s (Hwang, 2002: 218-220, Kim, M. G., 2000: 5, Yeo et al., 2006: 4). They are used as a basis of benefit scale levels not only for social assistance but also for other social welfare benefits and services. The minimum living standards are defined as a ‘minimum cost of living’ required for citizens to maintain sound and civilized lives (LP Act, Art. 2, Para. 5; NBL Act, Art. 2, Para. 6).

6.2 Defining the level of social assistance in Korea

In Korea, social assistance benefit scales are based on the customarily accepted official poverty line, i.e. the minimum living standards. They are set according to a budget standard on the basis of a social survey since 1989. Before 1989, the minimum living standards were determined according to a food share method (or Engel) on the basis of a social survey, which were first calculated by the Committee for Social Security in 1974 and subsequently in 1978 (Kim, M. G., 2000: 9-10). From 1989 to 1999, the minimum living standards based on budget standards were calculated every five years by the Korea Institute for Health and Social Affairs (KIHSA)⁵⁸ (Kim, M. G., 2000; Yeo et al., 2004). Until 1994, under the previous Livelihood Protection (LP) scheme, it had not legally been required to announce the results of the calculation of the minimum living standards. From 1999, however, a public announcement is required by 1 September

⁵⁷ But the UK has also no official poverty standard. For more detail see for example Bradshaw (1999) and Citro and Michael (1995).

⁵⁸ The KIHSA plays a supporting role for the Ministry of Health and Welfare.

every year by the law (Hwang, 2002: 219; Kim, M. G., 2000: 6). From 2004, the minimum living standards based on a budget standard are calculated every three years by the KIHSA (NBL Act, Art. 6). They are set nationally and updated annually on the basis of the consumer price index, by decisions of the Minister of Health and Welfare, through consultation and deliberation of the Central Committee for Livelihood Security (Kim et al., 2004: 32; Yeo et al., 2006: 18).

The budget standard approach is based on a list or a basket of goods and services that are regarded to be essential and depend on consumption surveys. These are probably the oldest methods of exploring living standards, adopted by Rowntree (2000) in his three famous studies of poverty in York (1901, 1941, 1951) and by Beveridge (1942) in setting the original scales of social assistance. Budget standards involve drawing up a list of commodities, employing normative judgements, supported by a combination of scientific and behavioural evidence. The budget is then priced and used as an income threshold – anyone below that threshold is in poverty (Gordon et al., 2000: 75). In the pre-war period, budget standards became associated with concepts of minimum subsistence and absolute definitions of poverty. This was one of the main reasons that budget standards were not used in poverty research in the UK for fifty years after the Second World War, although they continued to be used in setting poverty thresholds in developing countries (Bradshaw, 1993, 1999).

During the 1990s, this budget method has been revived by Bradshaw and his colleagues in the Family Budget Unit, having published ‘modest but adequate’ and ‘low cost’ budgets. This approach is not as developed by Rowntree to create an impossibly low figure, but instead to exceed a meagre definition of either minimum subsistence or absolute poverty and to use the evidence from many national surveys and databases of

the British population's patterns of consumption of goods and services (Bradshaw, 1993; Veit-Wilson, 2001: 24; Gordon and Pantazis, 1997: 63). In Britain, it can therefore be said that budget standards have been derived to represent a minimum adequate standard and a modest but adequate standard (Bradshaw, 1993). Such budgets have been used to evaluate the adequacy of the Income Support and the costs of a child (Oldfield and Yu, 1993). The budget method is still applied in many countries. The US poverty standard (from 1964) was originally based on a budget standard. In the USA the basket contained food items only: in order to determine the poverty line, the cost price of this basket was multiplied by a coefficient of three. In Germany the official poverty lines are determined by a budget method. The required minimum is equated to the total cost of a more generalised basket of goods (Atkinson et al., 2002). Swedish social assistance scales are partly determined by a normative family budget. In Korea, an estimate of the minimum standard of living, which is used for benefit rates for social assistance, is based on a budget standard. A recent study (Bradshaw, 2000) has explored the use of Eurostat harmonized budget surveys for constructing budget standards.

The main advantage of budget standards is clear and extremely practical. Items can easily be put into or taken out of a budget standard. The fact that the standard is transparent and tangible makes it publicly and politically credible. The main disadvantage of this method is that it is difficult to determine which ingredients should be included in the basket of goods, and there is a normative judgment of experts in the selection of the commodities. Thus the minimum budgets obtained are almost unavoidably influenced by the actual living standard and the prevailing life-style in a particular country and at a given point in time (Atkinson et al., 2002: 86). Budget standards also require an enormous effort to develop and keep up to date.

The minimum living standards in Korea, which is used for the social assistance benefit rates, are set in relation to a budget standard based on the results of a social survey that are calculated every three years from 2004 by the KIHSA. For the calculation of the minimum living standards of 1999, a model family of four was chosen as a standard family and a basket of goods for the model family chosen was formed, and then the minimum living standard for the family was measured. After that, minimum living standards for different region and family size were measured by an equivalence scale calculated by a computation model (Kim, M. G., 2000).

For selecting a model family and comprising a basket of goods for the model family selected, a survey of income and consumption of low-income population was carried out by the KIHSA (Kim, M. G., 2000). In the first phase of sampling, 15,000 households were selected from 125 areas (52 big cities⁵⁹, 32 medium and small size cities and 41 rural areas). From the first sample, a sample of 1,500 households on low-income (poorest 30 per cent of households) was selected. In order to balance precision and representativity, a model family was selected on the basis of the representative values, derived from the survey of households with low-income: value of the poorest household – 35.4 per cent of households with low-income were household of four; value of the average household – household of 3.45 persons; value of the median – household of a couple (male aged 36 and female aged 33) with two children (male aged 7 and female aged 5). The results are shown in Table 6.1. In order to examine regional variation (i.e. big cities, medium and small size cities and rural areas), the model family of four (couple with two children male aged 7 and female aged 5) was selected from different regions. The basket of

⁵⁹ Big cities refer to six major cities of which populations are more than a million including Seoul.

goods was constituted to cover expenses for food, light and fuel, health and personal hygiene, medical expenses, a residence tax and education tax, TV licence, furniture and smaller household goods, clothing, education, transport, and other personal consumption (Kim, M. G., 2000).

Table 6.1 Model family selected for the calculation of the minimum living standards of 1999

Average household size	Poorest household size	Selected model Family
Household of 3.45 persons	Household of four (35.4%)	Couple (male aged 36 and female aged 33) with two children (male aged 7 and female aged 5)

Source: Kim, M. G (2000: 12-14).

For the minimum living standards for different household size, an equivalence scale, calculated by a computation model was applied to the model family of four (see Kim, M. G., 2000). Consequently, an equivalence scale was produced from a survey carried out by the KIHSA that attaches the weight of 1 to the household of four, 0.349 for household of one, 0.578 for household of two, 0.795 for household of three, 1.137 for household of five, and 1.283 for household of six. The results of the minimum living standards of 1999 and the equivalence scale used in the standards are presented in Table 6.2. The equivalence scale applied in the minimum living standards looks similar to the 'old' OECD equivalence scale⁶⁰ and much bigger than the 'modified' OECD equivalence scale⁶¹, one of

⁶⁰ This scale assumes need level of 1 to the first adult, 0.7 for the second and subsequent adults, and 0.5 for children living in the household.

the most commonly adapted in comparative studies. As can be seen in Table 6.2, there are regional differentiations in the minimum living standards measured by the KIHSA.

Table 6.2 Minimum living standards by household size and region in 1999, thousand won

Household size	Equivalence scale used in the minimum living standards	Old OECD scale	Modified OECD scale	Minimum living standards		
				Big cities	Medium and small cities	Rural area
1	0.349 (1.00)	1.00	1.00	334	315	271
2	0.578 (1.65)	1.70	1.50	554	521	448
3	0.795 (2.28)	2.20	1.80	761	717	617
4	1.00 (2.86)	2.70	2.10	958	901	776
5	1.137 (3.25)	3.20	2.40	1,089	1,025	882
6	1.283 (3.67)	3.70	2.70	1,229	1,156	995

Notes:

1. Numbers in brackets are re-calculated on the basis of the household of one, that is the weight of 1 is attached to the household of one.
2. Big cities refer to six major cities of which populations are more than a million including Seoul.
3. Minimum living standards for families living in medium and small size cities are used for the official minimum living standards.
4. Using purchasing power parities for 1999, £1 = ₩1,161.5.

Source: Atkinson, et al. (1995); Kim, M. G (2000).

⁶¹ This scale attaches the weight of 1 to the head of household (or the first adult), 0.5 for each additional adult or each child aged 14 and over, and 0.3 for each additional child under 14. The scale is also used by the EU.

Using purchasing power parities, the minimum living standards of 1999 for four person households living in big cities, and medium and small cities were ₩958,000 and ₩901,000 respectively, approximately £825 and £776.

Table 6.3 presents the standard LP/NBLS benefit rates by household size. The minimum living standards for families living in medium and small size cities are used for the official minimum living standards, and the social assistance benefit scales are set on the basis of the official standards. As shown in Table 6.2, although urban and rural areas

Table 6.3 Monthly standard LP/NBLS rates by household size, 1999-2005, thousand won

	Household size					
	one	Two	Three	Four	Five	Six
	person	persons	persons	persons	persons	persons
1999	152	267	363	444	509	561
2000 (Jan-Sep)	193	275	378	476	541	610
2000 (Oct-Dec)	261	433	585	729	816	913
2001	286	482	667	842	959	1083
2002	304	504	693	871	991	1118
2003	313	519	714	897	1020	1151
2004 (A)	324	537	738	929	1056	1192
2005 (B)	343	572	777	972	1115	1264
B-A=C	19	35	39	43	59	72
C/A (%)*	5.9	6.5	5.3	4.6	5.6	6.0

Source: MOHW (2005a); Moon (2003).

were differentiated in the minimum living standards measured by the KIHSA, the regional variations were not taken into account in the official minimum living standards and the standard social assistance rates, announced by the government.⁶² The current benefit levels, therefore, seem to be unfavourable to low income households living in big cities, who seem to need more living expenses than those living in smaller cities or rural areas. For example according to a survey carried out in 1999 by the KIHSA, the minimum living standard for big cities was six per cent higher than the official minimum living standard, while that for rural areas was 14 per cent lower than the official standard (SSWI, 2005). Furthermore, the social assistance benefit rates vary by household size but do not reflect features of household such as a household of older people, the disabled, or of a lone parent etc. (Hwang, 2002; NRB, 2001; SSWI, 2005; Yeo et al., 2004).

6.3 The level of social assistance in Korea

Until 1999 under the previous LP scheme the benefit levels had been set at a maximum of 60 per cent of the customarily accepted official poverty, i.e. the minimum living standards (OECD, 2000a: 129). From 2000 under the current social assistance programme, the NBLS scheme, the benefit levels are set so that the total income of each household receiving social assistance benefits – including any earnings and other forms of assistance – reaches the minimum standards of living (OECD, 2001a: 72-77). Thus, as shown in Table 6.3, the standard social assistance rates increased considerably in 2000, while after the NBLS put into effect in October 2000 they rose gradually and constantly. The benefit levels increased by on average 5.7 per cent between 2004 and 2005. Using purchasing power parities, the monthly rate in 2001 for four person

⁶² For further details and argument see Hwang, 2002, Ch. 5.

households was ₩842,000, approximately US\$1,106 or £690. The monthly benefit scale rates include cash benefits such as livelihood benefits and housing benefits⁶³ and in-kind benefits⁶⁴ and other costs for taxes such as council tax, residence tax, education tax and TV licence etc.

The minimum living standards are updated annually in September on the basis of the consumer's price index, as stated above. However those reflecting only the price index can be seen as having been set at a relatively lower level than the benefit level calculated in 1999, since the scales have gone down to 49 per cent of the average consumption expenditure of urban households in 2001 from 56 per cent in 1999 (NRB, 2001). Thus the gap between the social assistance benefit levels and living standards of normal households appears to be widening and some recipients who received benefits in the calculation year for the minimum living standards might not receive benefits in non-calculation years.

Table 6.4 presents net replacement rates – here the proportion of net income in-work that would be replaced by social assistance. The data produced by the OECD (2002) are used in this chapter, in order to compare the relative level of social assistance compared with average wages. Overall the replacement rates are low in Korea compared to other OECD countries (the details are displayed in the next part of the chapter). On the other hand, the average replacement rates for the previous and current social assistance

⁶³ The monthly housing benefit level in 2001 for three or four member households was ₩3,7000, approximately US\$51 or £33.

⁶⁴ In-kind benefits such as health benefits and educational benefits etc. are provided in case those benefits are needed by the recipients.

Table 6.4 Net social assistance before housing costs and services as a proportion of net incomes of one earner on average wage (%), 1999-2002

	Single	Lone parent + 2 children	Couple + 2 children	Mean
1999	6	16	18	13
2001	19	44	54	39
2002	17	39	49	35

Source: OECD (2002).

schemes improved in 2001 – three times higher than 1999, although there was a slight fall in 2002. It is mainly because the benefit levels have improved to be set at 100 per cent of the minimum living standards since 2000, from at 60 per cent of the minimum standards until 1999. In particular, since 2001 under the current assistance scheme the replacement rates for couples with two children were 10 per cent higher than those for lone parents with two children, while the difference was only two per cent in 1999 under the previous scheme.

6.4 International comparison

6.4.1 Determination of minimum income standards

How the minimum income standards are determined in the countries of the chapter? Table 6.5 briefly considers how social assistance benefit rates are set and updated in the nine countries. In the Netherlands, the level of social assistance is linked to the net minimum wage and is updated twice a year (Kuivalainen, 2004: 141; MISSOC, 2005: 619). In Finland, benefit rates are set by the law and are revised every year according to the national pension index. After the revision, the benefit levels are also determined in

line with another social security benefit – the minimum old-age pension (Kuivalainen, 2004: 141).

In the study, the UK is the only country where benefit rates for general assistance are linked to consumer prices only.⁶⁵ Since 1982, benefit rates for Income Support are based on the Rossi index – the Retail Price Index minus housing costs, where rent is fully covered by housing benefit, and they are uprated annually (Bradshaw and Lynes, 1995: 17; Cantillon et al, 2004: 4). On the other hand, Japan is the only country where benefit rates are in line with consumer patterns only. The levels of social assistance have been maintained since the early 1980s at 69 per cent of the average household consumption levels. They have been indexed to national average consumption and are uprated annually (Eardley et al., 1996b: 245-6; Yeo et al., 2004: 11).

In Germany, Sweden and Korea, the adjustment mechanism for social assistance is in line with both prices and surveys regarding consumption behaviour. In Germany, social assistance benefits are determined since 1990⁶⁶ according to the so-called ‘statistics model’ (Statistikmodell), which is based on the average expenditures of households with low-incomes slightly above the social assistance threshold (Behrendt, 2002: 106). Adjustments are also based on net incomes (Ademan et al, 2003: 24; Cantillon et al., 2004: 6). In Sweden, the level of social assistance is set since 1985 according to consumer

⁶⁵ Yet since 1999, some benefits (e.g. Pension Credit) have been linked to earnings and some (e.g. basic retirement pension) are linked to prices.

⁶⁶ Until 1990, standard benefit rates were based on a basket of goods.

Table 6.5 Mechanisms for setting and adjusting social assistance benefits

	Benefit	Regulatory/ Administrative framework	Adjustment mechanisms		
			Price index	Consumer survey	Others
Swe	Social Welfare Allowance	Nat/loc	X	X	
Fin	Living Allowance	Nat/loc			Minimum old-age pension
Ger	Sozialhilfe	fed/state	X	X	
NL	Algemene Bijstand	Nat/loc			Minimum wage
UK	Income Support	Nat/nat	X		
Ire	Supplementary Welfare Allowance	Nat/nat			Ad hoc
Por	Social Insertion Income	Nat/nat			Ad hoc
Jap	Public Assistance	Nat/loc		X	
Kor	National Basic Livelihood Security	Nat/nat	X	X	

Source: Behrendt (2002); Cantillon et al. (2004, 2005); Eardley et al. (1996b); Kuivalainen (2004); MISSOC (2005); Yeo et al. (2004).

behaviour on the basis of consumer surveys, based on items of expenditure which are included in the household budget drawn up by the National Board for Consumer Policies (Cantillon et al., 2004: 6; Eardley et al., 1996b: 357). In Korea, social assistance benefit rates are set in relation to a budget standard. The budget standard is based on a consumption expenditure survey of low-income households, which is conducted since

2004⁶⁷ every three years (Yeo et al., 2006: 1). In each of the three countries, benefit rates are revised each year on the basis of the Consumer Price Index (Cantillon et al., 2005: 14; Kim et al., 2004: 32; Yeo et al., 2006: 18).

In Ireland and Portugal, there is no adjustment mechanism for social assistance benefits. In the two countries, benefit amounts are adjusted by ad hoc decisions (Cantillon et al., 2004: 7; MISSOC, 2005: 319).

6.4.2 The level of social assistance

This section compares the level of social assistance paid in nine countries. The first part of the section compares the absolute level of social assistance and the relative level is compared in the second part.

6.4.2.1 Absolute level of social assistance

In order to compare absolute level of social assistance in nine countries, following Bradshaw and Finch (2002)⁶⁸, the basic social assistance package before and after the impact of housing costs and services are compared. Amounts are shown in £ purchasing power parity per month, using model family methods. The model family method has been used in various comparative studies on social assistance (e.g. Behrendt, 2002; Eardley et al., 1996a; Kuivalainen, 2004) and family policy (e.g. Bradshaw et al., 1993; Bradshaw and Finch, 2002; Ditch et al., 1998). It is a relatively easy and exact method

⁶⁷ Prior to 2004, the survey was conducted every five years.

⁶⁸ A study on child benefit packages in 22 countries.

to compare the level and structure of tax and benefit packages, controlling for some of the variation that exists. For this research, the following seven model families are chosen:

1. Single person aged 35
2. Couple both aged 35 (assumed to be married)
3. Lone parent with one child aged 7 at school, no childcare
4. Lone parent with two children aged 7 and 14 at school
5. Couple with one child aged 7 at school, no childcare
6. Couple with two children aged 7 and 14 at school
7. Couple with three children aged 7, 14 and 17 all at school

The method, however, has some limitations. One weakness of the ‘model family’ approach is that in the case of countries⁶⁹ where assistance programmes vary from municipalities to municipalities and there are large regional variations in benefit levels, it seems difficult to discuss a national social assistance scheme and their analysis only applies to the particular region chosen. The selection of family type is also inevitably somewhat arbitrary so it is important to select such cases that represent the most typical and common family types receiving social assistance in most countries (Behrendt, 2002: 128; Eardley et al., 1996a: 110; Kuivalainen, 2004: 75). There are four types of typical families chosen for the analysis: single, childless couple, couple with children and lone parent. Singles and couples without children are included to get an estimate about how much more or less lone parents and couples with children receive as a result of the

⁶⁹ Such as Switzerland, Austria, Spain, Italy, the Nordic countries, and Canada (to a lesser degree).

social assistance package. It is similar choice to previous studies on social assistance (Behrendt, 2002; Bradshaw and Finch, 2002; Eardley et al., 1996a; Kuivalainen, 2004), while the number of family size and type included in the analysis are relatively smaller.

Information on eight countries, excluding Korea, is derived from Bradshaw and Finch (2002). For data on Korea, a model family matrix for social assistance case was completed by the author according to the instructions by Bradshaw and Finch (details are provided in Appendix B, Table B.1). The baseline assumptions for costs of housing, school and health costs are as follows:

Housing costs

In fact, housing costs are one of the most difficult elements to take into account in comparative research. The price of housing varies both within and between countries according to tenure, age, size and location of dwellings. Yet, the problem is that the costs of housing are too important to be ignored and are a critical element in the social assistance package (Bradshaw et al., 1993; Bradshaw and Finch, 2002; Eardley et al., 1996a; Kuivalainen, 2004).

The OECD method of taking rent as 20 per cent of gross average earnings, regardless of actual income levels or employment situation is adopted in the study as the housing assumption. Thus housing costs do not vary with the size of dwelling and family or income. The method is more consistent across countries and simpler for researchers to handle at the analysis stage than the one used in previous studies using the model family

methods (e.g. Bradshaw et al., 1993 and Eardley et al., 1996a).⁷⁰ Moreover it is likely to give a higher and more realistic rent figure for some countries including the UK (see Bradshaw and Finch, 2002: 65-66). But there are some disadvantages. First, with the standard rent of 20 per cent of average earnings, we lose variation by family size.

Second, in most countries considered here the standard is too high for some of the low-income families included in the analysis. For example, in Korea a low-income family would not be entitled to housing benefit and/or social assistance on that rent and be expected to move to lower cost housing. As can be seen in Appendix A, Table A1, the standard rent of 20 per cent of average earnings in 2001 is ₩340,000. According to a survey by NRB (2001), however, the most common tenure type for the low-income people included in the survey was a public rented (long-term low rental) flat⁷¹ and the national average for the people was ₩102,000. Japan also belongs to this case (Bradshaw and Finch, 2002). On the other hand, in the UK, there is an eligible rent ceiling for housing benefit, which might have been exceeded by the 20 per cent standard (Bradshaw and Finch, 2002). Nevertheless the housing costs are an important part of the social assistance benefit package and results without taking account of them would be misleading.

This analysis uses the data on gross wage earnings of the average production workers in Korea from the OECD (2003) and for eight other countries the data on gross average

⁷⁰ In previous work the rents varied with household size and the size and location of the dwelling but not with income (Bradshaw and Finch, 2002: 65).

⁷¹ 45 per cent of the people on low-income were living in a public long-term low rental flat (NRB, 2001).

earnings from Bradshaw and Finch (2002) are used.

School costs

It is assumed that children attend to a state school in a local area that means basic education is free. They can walk to school and thus have no transport costs. Only fees or costs that parents must pay for compulsory school books or equipment considered essential are assessed. It is assumed that all parents have to pay for a midday meal at school or provide a packed lunch. The cash equivalent value of free school meals is then dealt with as a benefit.

Health costs

It was assumed that health care at the point of demand is free of charge, available to all regardless of means and of similar quality across countries, and funded by tax and/or social security contributions. Only health insurance premiums that are required to match this assumption and any costs that families have to pay for a standard package of health care are included in the matrix. A standard health package to be costed include the following:

- No inpatient episodes
- One visit per person per year to the dentist for a check-up and filling of one tooth
- One visit per person per year to the general practitioner and one prescription for a standard antibiotic per person

Charges payable after any rebates or deductions or refunds were estimated and expressed as a monthly sum for each family.

Table 6.6 compares the basic social assistance package before housing costs and

services. The social assistance package consists of the level of social assistance minus any income tax or social security contributions payable plus any non-means-tested or means-tested child benefit payable plus child support for lone parents plus any other benefits paid.⁷² The figures for Korea indicate cost of living including housing benefit. Housing benefit in Korea is not a general scheme. It is a cash benefit that is provided only for social assistance recipients, and is included in the standard social assistance scales paid.

Table 6.6 Social assistance before housing costs and services, £ purchasing power parities in 2001

	Single	Couple	LP+1child	LP+2children	Couple+1child	Couple+2children	Couple+3children
Swe	559	746	539	649	726	836	969
Fin	335	431	415	542	553	698	832
Ger	196	354	312	532	459	601	792
NL	342	685	560	621	747	808	872
UK	230	361	429	565	560	696	836
Ire	315	523	871	1101	688	854	1052
Por	129	258	218	307	347	436	562
Jap	370	567	634	859	732	946	1153
Kor*	235	394	409	560	547	690	785

Note: *The figure for Korea includes housing benefits. Housing benefit in Korea is provided only for social assistance recipients as a cash benefit and is included in the social assistance rates paid.

Source: Bradshaw and Finch (2002); MOHW (2002c); OECD (2001b), own calculations.

⁷² For more details, see Bradshaw and Finch (2002:124).

There is considerable variation between countries in the social assistance scales. The level of social assistance paid also varies between and within countries by family type. Sweden, Japan and the Netherlands have the highest levels of benefits for singles and couples without children and Japan, Ireland and Sweden for couple families with children and Ireland, Japan, the Netherlands and Sweden for lone parent families. Portugal, Germany and the UK have the lowest benefits for singles and couples without children and Portugal, Germany and Korea for couples with children and lone parent families. The majority of the countries appear to provide more generous income for families with children than childless families, while the Netherlands and Sweden are less favourable to families with children. Ireland is the only country where lone parent families have higher income than couples with children. Before housing costs and services, the overall level of the social assistance package in Korea is one of the lowest but very close to that in the UK.

All the countries considered here include housing-related supplements as part of social assistance schemes, and Germany, Finland, Ireland, the Netherlands, Sweden and the UK operate separate means-tested general housing benefit schemes (OECD, 2004a: 34-36). In those countries where general housing benefits are provided, families on social assistance receive some or all of their housing costs paid in addition to social assistance (see Appendix B, Table B.2). In Korea, Japan and Portugal, there is no general housing assistance, but there is an element included in the social assistance scales for housing costs. For example, housing benefit in Korea is only available to social assistance clients as a cash benefit and is included in the standard social assistance rates, as mentioned above. In Germany and the UK recipients have all their rent paid, while in Korea, Japan and Portugal recipients pay all their rent. In order to really compare the level of incomes of recipient households, one needs to take into account the differences

in housing costs (Bradshaw and Finch, 2002; Eardley et al., 1996a; Kuivalainen, 2004).

Table 6.7 presents the results of the level of social assistance after housing costs.

Table 6.7 Social assistance after housing costs, £ purchasing power parities in 2001

	Single	Couple	LP+1child	LP+2children	Couple+1child	Couple+2children	Couple+3children
Swe	259	447	376	513	564	701	854
Fin	205	361	345	490	501	646	780
Ger	196	354	312	532	459	601	792
NL	176	482	367	444	569	631	695
UK	221	352	420	550	551	681	821
Ire	261	437	742	947	587	737	916
Por	-22	107	67	156	196	285	410
Jap	72	213	280	504	377	591	798
Kor	-45	116	129	281	268	411	507

Source: Bradshaw and Finch (2002); MOHW (2002c); OECD (2001b), own calculations.

As Bradshaw and Finch (2002: 126) argued, the housing costs assumptions adopted in this study – 20 per cent of gross average earnings – are clearly not reasonable for the social assistance case as it will be too high for some of recipient households, and having paid their housing costs, the single persons in Korea and Portugal have the negative incomes. Nevertheless there are remarkable changes in ranking before and after housing costs: after housing costs, on the whole Japan, Korea and the Netherlands move down the ranking and the UK improves its positions. Scrutinizing the table by family type, Ireland, Sweden and the UK have the highest levels of benefits for almost all types of families considered. Portugal, Korea and Japan have the lowest benefit levels amongst all family type. The Netherlands moves up and down in the league table by family size

and type. It has the most generous benefits for childless couples and couples with a child but less generous benefits for other family types.

Table 6.8 Social assistance after housing costs and services, £ purchasing power parities in 2001

	Single	Couple	LP+1child	LP+2children	Couple+1child	Couple+2children	Couple+3children
Swe	253	434	391	549	572	730	905
Fin	205	361	389	577	545	733	910
Ger	196	354	312	532	459	601	792
NL	154	437	313	371	493	535	584
UK	221	352	441	595	572	726	866
Ire	261	437	731	925	581	725	894
Por	-22	107	65	154	194	283	404
Jap	72	213	256	437	354	523	714
Kor	-45	116	158	338	296	468	592

Source: Bradshaw and Finch (2002); MOHW (2002c); OECD (2001b), own calculations.

In Table 6.8, the costs and benefits of services including school costs/benefits and health costs are taken into account. In most countries, recipients of social assistance do not pay health costs, and in Portugal there is a small amount of addition to income (see Appendix B, Table B.3). However, there are some health charges to be paid for even families on social assistance in Sweden and the Netherlands. There are costs associated with education in Japan, the Netherlands, Ireland and Portugal (see Appendix B, Table B.4). Finland, Korea, Sweden and the UK provide school meals subsidies (free school meals) or educational allowances or grants. The impact of these costs and benefits is not as much as housing costs, while the incomes of families dependent on social assistance

have changed. After school costs and health charges the overall position has not changed. The only exception is Finland where comes first for couples with over one child.

6.4.2.2 Relative level of social assistance

In this part, the relative benefit level of social assistance is compared through the calculation of replacement rates. The replacement rate shows what proportion of earnings in employment is replaced by social assistance. It is here estimated by comparing disposable net incomes of households receiving social assistance with net incomes of the same household type where the head is earning average production worker's wage earnings, thus by the following formula: $\text{Net income on social assistance} / \text{Net income in work} * 100$. Here the calculation is based on a given level of wage earnings so it will probably understate the real replacement rate of a family who is actually receiving or can receive social assistance (Bradshaw and Finch, 2002: 155; Eardley et al., 1996a: 158). Moreover, it is expected that the source of income that would be doing the replacing is social assistance benefits, while, in many countries, it would be more likely to be contribution-based unemployment benefits which are in general higher than social assistance (Bradshaw and Finch, 2002: 155). Thus the replacement rate used in this section is the minimum notional one.

The data on net income on social assistance in Korea are derived from the matrix table for social assistance case used in previous section and those in eight other countries from Bradshaw and Finch (2002). There are no completely satisfactory data on earnings for Korea and the other eight countries of this chapter. Net income on social assistance is here compared to the net income in work in each country – the net income of the

average production worker produced by the OECD (2001b, 2003). This study does not use the half average earnings because the OECD does not provide data on it for the OECD member nations including Korea. The OECD data do not include fringe benefits, such as provision of food or housing⁷³ for the calculation of average earnings. In this section thus the data on the following three types of families in work and on social assistance, collected from the OECD, before housing costs and services are used: singles without children, married couples with two children and lone parents with two children. For lone parents net income on social assistance is compared to both two-thirds (67 per cent)⁷⁴ and 100 per cent of average wage and for other family types 100 per cent of average wage.

Table 6.9 presents the relative level of social assistance before housing costs and services. Replacement rates for all the three family types are high in Sweden and the Netherlands. Finland's replacement rates are also high for singles without children and couples with two children but they are comparatively low for lone parents with two children. Japan has one of the highest replacement rates for couples and lone parents, except for singles. Germany and the UK have the lowest replacement rates through all the three selected family types. Portugal has comparatively low replacement rates for singles and lone parents but one of the highest rates for couples with two children. By contrast Korea has one of the lowest replacement rates for singles and couples but the rates are comparatively high for lone parents. For the lone parents there is no dramatic

⁷³ It is because these types of benefits would be inconsistent to evaluate and rarely account for more than 1 per cent of gross wage earnings. For more detail see OECD (2003: 118).

⁷⁴ It partly refers to female earnings (Kuivalainen, 2004: 159).

change in the position when the comparison is made in relation to 67 per cent of the average wage earnings.

Table 6.9 Net social assistance before housing costs and services as a proportion of net incomes of one earner on average wage (%), 2001

	Single	LP+2children	Couple+2children	Mean
Swe	62	54 (86)	81	66
Fin	34	42 (61)	63	46
Ger	18	39 (50)	40	32
NL	43	55 (72)	61	53
UK	19	40 (45)	49	36
Ire	28	42 (56)	55	42
Por	24	35 (50)	70	43
Jap	28	65 (94)	69	54
Kor	19	44 (65)	54	39

Note: Numbers in brackets are replacement rates for lone parents with two children earning 67 per cent of the average production worker's wages.

Average replacement rates reveal three groups of countries. At the top come Sweden, Japan and the Netherlands. Korea, the UK and Germany have the lowest relative income level of social assistance. In between are found Finland, Portugal and Ireland. The overall position would be changed to some extent if lower wage level rather than 100 per cent of average wage were used (Kuivalainen, 2004: 160). A study of Bradshaw and Finch (2002), using the net income of one earner on half average earnings shows that the replacement rates in the eight countries considered in this chapter, excluding Korea, increase to some extent.

6.5 The implied equivalence scales in social assistance

In this chapter, it has been seen that the level of social assistance in the countries considered varies by family types, meaning countries treat different types of family differently. This variation implies a judgement has been made in each country about the relative needs of families of different kinds (Bradshaw and Finch, 2002: 128). Thus the implied equivalence scale of social assistance in each country is compared in Table 6.10 and 6.11. The implied equivalence scales presented in the two tables are calculated on the basis of Table 6.6 and 6.8. In this analysis the base family is a couple without a children set at 1.00.

It can be seen that there is a considerable variation in the level of benefit paid to a single person compared with a childless couple. Before housing costs, a single person in Portugal and the Netherlands receives 50 per cent of the benefit paid to a couple, and in Finland and Sweden over 70 per cent of that of a couple, while in Korea and Ireland 60 per cent of that to a couple.

There are also considerable variations in the implied equivalence scale for couples with children. Before housing costs, the UK is the most generous to couples with children compared with couples without children. Following the UK, Korea is the second most generous to couples with one child or two children, while Germany and Portugal come after the UK for couples with three children. By contrast, Sweden, the Netherlands and Finland value the relative needs of couples with children least generously. Among the latter, Sweden paid less for a couple with one child aged seven, relative to a childless couple.

Moving to lone parent families, the general pattern found here was that lone parents on social assistance receive less than couples with the same number of children. Only Ireland paid more for lone parent families. On the other hand, compared with a childless couple, the needs of a lone parent vary between countries rather more. Before housing costs, the extra amount payable for a lone parent with one child, relative to a childless couple, varies from minus 28 per cent in Sweden, minus 16 per cent in Portugal, minus four per cent in Finland to four per cent in Korea, 19 per cent in the UK and 67 per cent in Ireland. The majority of the countries assess the needs of a lone parent with two children higher than a childless couple. The exceptions include Sweden (before housing costs) and the Netherlands. For two children, before housing costs, the extra payable varies from minus 13 per cent in Sweden to 19 per cent in Portugal, 42 per cent in Korea, 57 per cent in the UK and 111 per cent in Ireland.

Table 6.10 Equivalence scale of social assistance before housing costs, 2001

	Single	Couple	LP+1child	LP+2children	Couple+1child	Couple+2children	Couple+3children
Swe	0.75	1.00	0.72	0.87	0.97	1.12	1.30
Fin	0.78	1.00	0.96	1.26	1.28	1.62	1.93
Ger	0.56	1.00	0.88	1.50	1.30	1.70	2.24
NL	0.50	1.00	0.82	0.91	1.09	1.18	1.27
UK	0.64	1.00	1.19	1.57	1.55	1.93	2.32
Ire	0.60	1.00	1.67	2.11	1.32	1.63	2.01
Por	0.50	1.00	0.84	1.19	1.34	1.69	2.18
Jap	0.65	1.00	1.12	1.51	1.29	1.67	2.03
Kor	0.60	1.00	1.04	1.42	1.39	1.75	1.99

Source: own calculations.

After housing and services, compared with a childless couple, the relative needs of a single person appear to reduce and those of families with children tend to improve. The UK and Ireland paid around 60 per cent of the benefit paid to a couple, while Korea and Portugal paid minus 39 and minus 21 per cent of that of a couple. By contrast, Korea, Portugal and Japan are the most generous to couples with children, relative to a childless couple. For lone parents, the relative position of lone parents against childless couples is the highest in Korea and Ireland. But that does not mean their benefit levels are the most generous in equivalent cash terms, but in fact in their case the amounts paid to a childless couple are very low, except Ireland.

Table 6.11 Implied equivalence scale of social assistance after housing costs and services, 2001

	Single	Couple	LP+1child	LP+2children	Couple+1child	Couple+2children	Couple+3children
Swe	0.58	1.00	0.90	1.27	1.32	1.68	2.08
Fin	0.57	1.00	1.08	1.60	1.51	2.03	2.52
Ger	0.56	1.00	0.88	1.50	1.30	1.70	2.24
NL	0.35	1.00	0.72	0.85	1.13	1.22	1.34
UK	0.63	1.00	1.25	1.69	1.63	2.06	2.46
Ire	0.60	1.00	1.67	2.12	1.33	1.66	2.05
Por	-0.21	1.00	0.61	1.44	1.81	2.64	3.77
Jap	0.34	1.00	1.21	2.05	1.66	2.46	3.36
Kor	-0.39	1.00	1.36	2.91	2.55	4.03	5.10

Note: The implied equivalence scale for singles in Korea and Portugal is negative because having paid their housing costs and services, the singles in both countries have the negative incomes. For further detail, see Table 6.8.

Source: own calculations.

6.6 Summary

This chapter has analysed the level and generosity of social assistance in Korea and compared them with eight other OECD countries. Compared with the previous categorical assistance scheme, the level and generosity of the current general assistance scheme NBLS increased in 2000 in both absolute and relative terms, while after 2000 the social assistance benefit rates rose gradually and constantly. However, it can be argued that the standard social assistance scales announced by the government vary by household size but not by household types. Furthermore, the benefit levels are set on the basis of the minimum living standards for families living in medium and small size cities but there is no regional variation in the benefit rates. Thus the current benefit levels appear to be unfavourable to low income households living in big cities, who seem to need more living expenses than those living in smaller cities or rural areas.

Table 6.12 presents the results of the analysis based on the mean values of each comparison and a simple attempt at an overall ranking. To obtain an index based on the ranking from 1 to 9, an index value of 9 is given to a country having the highest rank and a value of 1 to a country having the lowest rank. Following Kuivalainen's (2004) view, the values of the replacement rates are weighted twice because they are the only measure used in the analysis to assess the relative level of social assistance. The index is the sum of each column.

It can be seen from Table 6.12 that compared with other countries, the overall level of the social assistance package in Korea is the lowest together with Germany and Portugal, while it is highest in Sweden, followed by Ireland, Japan and the Netherlands, and the UK comes sixth. It is unexpected result that Finland and Germany have lower benefit

levels than might be expected given their economic position and welfare state regimes, representing the Nordic and conservative welfare state regimes respectively. By contrast, Ireland representing the liberal regime comes second in the league table. These results are much in line with the ones by Bradshaw and Finch (2002: 124-127). Yet they do partially not correspond with the ones by Kuivalainen (2004: 151-161) with respect of the results of Finland.⁷⁵ This may be partly due to the difference in the methods of comparing the value of benefits across countries – PPPs and exchange rates. The second possible reason is that there is a disparity in the types of model families on which data were collected. While this study chose only one single person household and four different couple households (childless, couple with one, two and three children), Kuivalainen selected three

Table 6.12 Social assistance package. Mean value (£ PPPs per month) and ranking.

	Before housing and services	Rank	After housing	Rank	After housing and services	Rank	Replacement rates (%)	Rank	Index
Swe	718	3	531	2	548	2	66	1	41
Fin	544	5	475	5	531	4	46	4	28
Ger	464	8	464	6	464	5	32	9	13
NL	662	4	481	4	412	6	53	3	30
UK	525	6	514	3	539	3	36	8	22
Ire	772	1	661	1	651	1	42	6	35
Por	322	9	171	9	169	9	43	5	13
Jap	752	2	405	7	367	7	54	2	30
Kor	517	7	238	8	275	8	39	7	13

⁷⁵ In her study, Finland comes second in the league table after Sweden.

different single person households (young, adult and elderly) and only two types of couple households (without a child and with two children). This could also affect the different results as the level of social assistance paid could vary by different family type.

It is found in this chapter that there are considerable variations in the level of social assistance between countries and even within countries, according to different family size and type, comparison made before or after housing costs and the way in which each country treats the relative needs of families of different kinds. With regard to the implied equivalence scales, Korea with Portugal and Japan is relatively the most generous to lone parent and couples with children. But that does not mean Korea is the most generous in equivalent cash terms. As Bradshaw and Finch (2002: 128) argues, it is just that Korea's social assistance scales are internally more generous to families with children. In fact, the benefit levels are the least generous amongst the countries considered here.

6.7 Locating Korea within social assistance regimes

Table 6.13 presents the overall ranking of three dimensions identified in the previous chapters. The dimensions selected do not include all aspects of social assistance arrangements but they are regarded as the most significant measures for categorising the countries. In addition, there are little clear-cut cases and the cases must be clustered in the most suitable way. The three dimensions are the following:

- *extent*: social assistance expenditure as a percentage of total social expenditure.
- *programme structure*: conditions of eligibility and entitlement
- *generosity*: the relative level of social assistance benefits

Another important feature, not recalled in this table, is the numbers of social assistance recipients as a proportion of national population. It is not used as a measure of the extent simply because, as outlined in Chapter 4, the figures are not wholly comparable. In addition, Portugal is not included in the dimension of the extent since no information or data on the extent of general social assistance of the country was available, thus the ranking of the extent is only concerned with eight countries without Portugal. The measure of programme structure refers to the conditions of eligibility and entitlement. It consists of the seven dimensions shown in Table 5.7. As a measure of generosity, the relative level of social assistance benefits, i.e. disposable net incomes on households receiving social assistance (before housing costs) as a proportion of net incomes of the average production worker is used.

Table 6.13 Ranking of extent, structure and generosity of social assistance programmes

Extent of social assistance*		Eligibility and Entitlement rules**		Level of benefits***	
Korea	6.8	United Kingdom	16	Sweden	66
United Kingdom	5.0	Ireland	14	Japan	54
Germany	3.9	Netherlands	14	Netherlands	53
Netherlands	3.5	Finland	13	Finland	46
Japan	2.3	Germany	12	Portugal	43
Ireland	2.0	Portugal	12	Ireland	42
Sweden	1.4	Sweden	11	Korea	39
Finland	1.3	Korea	10	UK	36
		Japan	9	Germany	32

Notes: * See Table 4.12; ** Table 5.7; *** Table 6.9.

On the basis of the three dimensions above, certain overall pattern can be detected, while it is not simple and depends on which aspects of assistance programmes are regarded as the most salience (Gough et al., 1997: 34). In this section, groupings like countries together are attempted to locate Korea within social assistance regimes and to see how far Korea constitutes a unique case or how far it differs from other countries considered. One thing that should be borne in mind is that the result of the groupings is mainly based on general social assistance in each country.

Sweden and Finland form a group. This is consonant with previous studies (Eardley et al., 1996a; Gough et al., 1997; Kuivalainen, 2004). In the Scandinavian countries, benefit levels are nationally set, but locally administered with different eligibility criteria and payment levels according to different local law and arrangements. The two Nordic countries have relatively strict means and work tests but generous nationality and residence conditions. In fact, Sweden has even stricter entitlement rules than Finland. Benefit levels are relatively high for both countries, while the extent of social assistance is marginal.

Previously the Netherlands has been grouped together with the continental countries (Dual social assistance) or with the Nordic countries. In this study, the Netherlands is much closer to the Nordic countries. After unemployment assistance was replaced by general assistance in 1996, the role of categorical assistance is much limited than before, instead that of general assistance is considerably larger. The Dutch scheme thus cannot be classified into the Dual social assistance. Some local variations remain but are constrained within a national regulatory framework. The Dutch scheme provides relatively high benefit levels and assets-tests are relatively flexible, while the extent of social assistance is at the medium.

The UK and Ireland form a distinctive group. This is in line with the typologies of Eardley et al. (1996a) and Gough et al. (1997). In the two countries, social assistance is organised and regulated nationally. These countries have the most generous entitlement conditions, while Ireland has rather stricter means-tests than Britain. Benefit levels are relatively low in both countries, but when housing costs and services are included they produce one of the highest benefit levels in absolute terms among the countries considered in the study. In both countries, those who are in full-time employment and considered able-bodied are mainly not covered by general assistance but by separate categorical assistance. Social assistance is still extensive in the UK, although the role of general assistance has been decreased because of the introduction of income-based Jobseeker's Allowance for unemployed people in 1996. The extent of social assistance is rather marginal in Ireland in terms of general assistance, but when categorical assistance is included the Irish system can be considered as extensive.

In the previous studies, the classification of Germany was always problematic. It is not the exception in this study. Germany is the closest to the British model. Benefit levels are nationally set and some local discretion remains but only marginally. The extent of social assistance is relatively high and means-tests are lavish but benefit levels are very low. However, the country has a distinguishing feature. Unlike other European countries, but like Portugal, kin obligations extend beyond the nuclear family.

Portugal forms a Southern European model. The country has nationally-set benefit levels and imposes time limit (12 months), though there is a possibility to be extended if fulfilment of the legal conditions is proved. It shares with Germany an extended family support. Income-tests are relatively generous but assets-tests appear to be stringent.

Benefit levels are around average but when housing costs and services are included the levels are very low in absolute terms.

Japan is put in a different group from the European groups above. The country has a nationally regulated social assistance system with only moderate regional variations in relation to living standards. Nationality/residence conditions as well as mean-testing are strictest and kin obligations are wider than Germany and Portugal. The role of social assistance is marginal, while benefit levels are relatively high but when housing and services are included they tend to be much lower.

The Korean model contains elements of both British and Japanese models. On the one hand, it has a single general assistance scheme with relatively low benefit levels. The extent of social assistance is largest amongst the countries considered. Social assistance is organised and regulated at the national level. On the other hand, the Korean and Japanese last resort social assistance schemes are similar in that eligibility and entitlement conditions are strictest amongst the countries considered. In fact, Korea has the toughest nationality/residence conditions, stringent means and work-tests and the widest family obligations – even a wider concept than Germany, Portugal and Japan.

Chapter 7 Characteristics of social assistance recipient and non-recipient households

As stated in Chapter 2 and 4, in the wake of the 1997 economic crisis, the problem of poverty has come to the fore in the Korean context as one of the main social agendas needing urgent attention. With the realisation that the problem of poverty is not just limited to a small group of people with low-income but there are many potentially poor people excluded from social assistance. While it is generally agreed that the Korean economy has recovered since the early part of 1999, the poverty rates have not yet retrieved from before the economic crisis in 1997, over which time income inequality has been worsened, as shown in Chapter 4. Nevertheless the coverage rates of Korean social assistance have, in fact, remained at only around three per cent of total population since 1994, in spite of the far higher rates of poverty than before the crisis.⁷⁶ This means certain sectors of low-income groups in Korea, possibly four to six million people, have been excluded from the final social safety net, i.e. social assistance, which is responsible for protecting the poor from hardship. What are the main characteristics of assisted and non-assisted poor people? Are there any distinctions or similarities between recipient and non-recipients? Are there any differences in the determinants of poverty between the two low-income groups? Do we need different approaches or policies for each group? This chapter seeks to answer these questions by using micro-data.

⁷⁶ The poverty rate based on 40 per cent of the median income was 11.6 per cent in 2003, while the rate based on 50 per cent of the median was 15.5 per cent (Yeo et al., 2005).

7.1 Comparing recipients and non-recipients

A study of the National Basic Livelihood Security Programme Review Board (NRB) (2001) argues that in 2001, 77 per cent of households with low-income disqualified from the NBLs benefits were living below the minimum living standards that are used for the social assistance benefit scales. Moreover, of those who were excluded from NBLs, households whose monthly incomes were less than half the minimum living standards represented 24 per cent. The study also points out 64 per cent of non-assisted poor households answered they find it so difficult to make ends meet that they need to become social assistance recipients.⁷⁷ This means although the majority of individuals or households excluded from NBLs are in poverty, they are not covered by the NBLs scheme because of strict eligibility and entitlement conditions, as discussed in Chapter 5. The people with low-income who are excluded from the NBLs benefits are, thus, likely to be in most need of social assistance provision.

Certainly, the main aim of income support policy is to cover the financial needs of poor households. Therefore, as Saraceno (2002: 176) argues, to evaluate whether an income support policy gives good coverage, counterfactual information drawn from a control group of non-assisted poor would be useful since there may be similarities and differences in terms of behavioural characteristics between the recipient and non-recipient groups. Those excluded from social assistance have increasingly become the focus of policy concerns in the Korean context, particularly in relation to the issue of

⁷⁷ 30 per cent of the non-recipients felt they just need health or education benefits of the seven NBLs benefits. Respondents who answered they do not need any benefits from government represented only six per cent (NRB, 2001).

poverty and social safety net, due to the following three reasons. First, as mentioned above, high rates of people with low-income who seem to be living in poverty, tend to be excluded from social assistance in Korea due to the stringent conditions of eligibility and entitlement, i.e. criteria of income, assets and, in particular, absence of private supporter. Second, they are potentially one of the most likely groups to be social assistance recipients at any time and certainly those in most need. Third, the new social assistance law specifies that ‘a survey of people just above the social assistance recipients shall be carried out by local authorities or local welfare offices in order to estimate the numbers of recipients for the following year’ (NBSL Act, Clause 24, Article 1). By the law, people just above the recipients are defined as ‘people who are disqualified from social assistance and whose actual income is less than 120 per cent of the benefit scales, i.e. minimum living standards’. Yet, in practice, they receive little benefits or support from the government, except the Self-reliance scheme in which about 20,000 unemployed people participated in 2005 (see Chapter 5).

Despite the above significance, however, there is little information about the characteristics of the non-assisted poor, and most previous studies of social assistance and poverty in Korea have focused only on the recipients of social assistance benefits. This chapter’s first objective is therefore to analyse the characteristics of two groups – recipients and low-income non-recipients who are excluded from social assistance, in order to explore whether there are differences or similarities between the two low-income groups. For this objective, the first part of the chapter will compare recipient and non-recipient households in terms of health, education, economic situation and behavioural characteristics with regard to labour participation. Our interests go beyond a description of the comparison of the characteristics. Rather, the chapter’s focus is on the factor(s) associated with the existence of poverty between recipients and non-recipients.

To compare the determinants of poverty between the two groups with low-income, statistical analysis will be conducted using logistic regression in the second part of the chapter.

7.2 Data and methods

In this chapter, data from the NRB are used. The survey for the NRB data was carried out in 2001 by the NRB, consisting of a group of independent experts in social policy and economics, recruited from universities and research institutes. The data were originally designed for the study of 'Reform Measure of National Basic Livelihood Security Scheme', which was initially commissioned in 2001 by the MOHW. The central aim of the study was to investigate the problems with which the new social assistance programme, NBLIS scheme, put into effect from 2000 is confronted and to develop the scheme.

The NRB data provide information on social assistance recipient and non-recipient households. However, the data do not encompass all non-recipient households but include only low-income non-recipient households who were excluded from the NBLIS benefits by eligibility criteria. Thus hereafter 'non-recipient' is used as a shorthand term for 'non-recipient on low-income'. Likewise the term 'population' is shorthand for 'low-income population' rather than the whole population. Samples were selected based on probability sampling. In the first phase of sampling, fifty of all 251 cities, towns, counties and districts in South Korea were selected as sampling areas. From these fifty areas, 5,000 addresses of the recipients and non-recipients, which were registered in the local welfare offices, were selected with probability proportionate to size. 2,300 cases were interviewed and a sample of 2,008 people and their households, containing a total

sample of 5,168 individuals, was achieved in the end. The sample was stratified to be representative of the people assisted and non-assisted in South Korea with respect to region – big cities⁷⁸, medium and small size towns, and rural communities.

The following five categories of recipients and non-recipients were selected from the fifty areas:

- General recipients (30.3 per cent of total samples, N=609): recipients of NBLIS benefits who are unable to work. The recipients are not obliged to take part in the Self-reliance scheme including job search activities and vocational training..
- Conditional recipients (25.2 per cent of total samples, N=506): people receiving NBLIS benefits on condition that they participate in the Self-reliance scheme. People in this category are primarily recipients over 18 under 60 and having ability to work.
- Recipients exempted from the Self-reliance scheme (15.5 per cent of total samples, N=311): recipients in this category are exempted from participating in the employment promotion programmes as they are already employed (over 18 hours a week), or have responsibility for the running of a household or the care of dependents, or having to work would endanger the proper upbringing of a child etc.
- Low income people who failed to be entitled to NBLIS benefits (15.4 per cent N=309): people with low income who were excluded from the NBLIS benefits by the eligibility criteria. People in this group are treated as ‘people placed just above the recipients’, i.e. people in danger of being NBLIS recipients at any

⁷⁸ Big cities refer to six major cities of which populations are more than a million including Seoul.

time, with the following group of people - participants in the Self-reliance scheme. In case of need, the non-recipients are also entitled to participating in the Self-reliance scheme.

- Low-income participants in the Self-reliance scheme (13.6 per cent of total respondents, N=273): people in this category include low-income participants in the employment promotion programmes who were excluded from the NBLs benefits (thus participants receiving the NBLs benefits were excluded). These people are also treated as 'people (or households) placed just above the recipients'.

Interview was basically conducted with the household reference person, who is the householder responsible for the accommodation, or if this involves more than one person, the oldest person with responsibility. Individuals for interview were asked in detail about their circumstances and their views on a range of issues associated with the NBLs scheme that replaced the previous LP scheme (details are provided in Appendix C). Interviews were carried out face-to-face with the selected respondent and had a median length of one hour. The fieldwork was undertaken in August 2001. With regard to the income variables provided by the NRB data, Livelihood and Housing Benefits which are both cash benefits are included, and the other five in-kind benefits⁷⁹ which are provided for the NBLs recipients are excluded from the variables.

For this research, the five separate groups of low-income shown above have been identified within each of the low-income: beneficiaries and non-beneficiaries. The

⁷⁹ In-kind benefits include Health Benefit, Educational Benefit, Maternity Benefit, Self-reliance benefit, and Funeral Benefit. For more information, see Chapter 4 and 5.

subjects of this chapter therefore are 2,008 people and their households, of whom 71 per cent (N = 1,426) were social assistance recipients and 29 per cent (N = 582) were non-recipients. In this NRB sample, recipient households outnumber non-recipient households by a ratio of 2.5 : 1. Comparisons and analyses of the two groups with low-income are made at the level of household rather than individual as the eligibility and benefit unit for the NBLIS scheme is normally established on a household base (except in special circumstances, in which case individuals may be treated as separate units). Accordingly, the characteristics of the household reference person are mainly used alongside variables that express household structure.

Table 7.1 shows the percentage distribution of household heads receiving NBLIS benefits and those excluded from the benefits by sex, four age groups, marital status and family size. As can be seen in Table 7.1, the majority of the household heads of both low-income groups (87 per cent) were aged 41 or more. 55 per cent of recipients and 65.5 per cent of non-recipients were aged between 41 and 64, and 31 per cent of recipients and 25 per cent of non-recipients were aged 65 and over. Heads of household under 41 represented less than 20 per cent of the sample population. About 55 per cent of each group were separated or divorced households and 30 per cent of each group were lone parent households⁸⁰, while 36 per cent of both groups were married households. In terms of family size, single adults represented 27.3 per cent of recipients and 18.6 per cent of non-recipients, and about 75 per cent of both groups were households of two or more. This table indicates that there is no clear or significant difference between the two groups with regard to sex, age and family type and size.

⁸⁰ There is some overlap (about 450 samples) between separated/divorced and lone parent households.

There was no significant association between the variables of respondent's type (recipient or non-recipient) and sex, and respondents' type and family type / marital status.

Table 7.1 Percentage distribution of respondents in low-income groups by sex, age and family type and size

	Recipients	Non-recipients	All	N
Gender				
Male	50.4	50.3	50.3	1,011
Female	49.6	49.7	49.7	997
Age group***				
Under 31	2.2	1.5	2.0	41
31-40	11.7	7.7	10.6	212
41-64	55.0	65.5	58.0	1,165
65 and over	31.1	25.3	29.4	590
Family type / marital status				
Lone parent	28.7	31.4	29.5	592
Separated / divorced	57.2	55.0	56.5	1,135
Married	35.1	39.5	36.4	730
Family size***				
1	27.3	18.6	24.8	498
2 or more	72.7	81.4	75.2	1,510

Significance: *** p<0.001.

Source: NRB (2001), Author's calculations.

Poverty can be measured in a number of ways, but this study uses an absolute definition

of poverty based on a budget standard. There are two apparent reasons for adopting the budget-standard based definition for this study rather than a relative one more commonly used in the majority of studies. First, as mentioned in earlier chapters (e.g. Chapter 4 and 5), social assistance benefit rates in Korea are based on the customarily accepted official poverty line, i.e. minimum living standards, and the minimum standards are set according to a budget standard. Second, in Korea, the minimum living standards based on a budget standard are used not only for the social assistance benefits rates but also for other social welfare benefits, and the budget-standard based poverty line is used in eligibility criteria for social assistance recipients (Kim, M. G., 2000). For these reasons, the absolute definition of poverty based on a budget standard has often been adopted in studies of social assistance and poverty in Korea.⁸¹ The budget-standard based poverty line for four-person households was just below 40 per cent of the median income adjusted for household size, before housing costs in 2000 (Ku, 2004; Park et al, 2002), and 49 per cent of the average consumption expenditure of urban households in 2001 (NRB, 2001).

The choice of equivalence scale can have a large impact on the level of measured poverty (Buhmann et al., 1988; Bradshaw, 1999; Behrendt, 2002; Förster and Vleminckx, 2004). This analysis adopts an equivalence scale shown in Table 6.2, which has been used in the calculation of the minimum living standards in 1999 and 2004, carried out by the KIHSA. The equivalence scale attaches the weight of 1 for household of one, 1.65 for household of two, 2.28 for household of three, 2.86 for household of four, 3.25 for household of five, and 3.67 for household of six. This scale looks very similar to

⁸¹ This group of studies includes Choi, H. S. (2002), Hong (2002), Ku (2002) and Park et al (2002).

the old OECD equivalence scale and much bigger than the modified OECD equivalence scale. The results of the budget-standard based poverty line adjusted for household size and the equivalence scale used are presented in Table 7.2. Using purchasing power parities for 2001, the poverty line for four person households is ₩956,000, approximately £846.

Table 7.2 Definition of poverty line and equivalence scale (2001)

Household size	Won (thousands)	Equivalence scale used in the poverty line	Old OECD scale	Modified OECD scale
1	334	0.349 (1.00)	1.00	1.00
2	553	0.578 (1.65)	1.70	1.50
3	760	0.795 (2.28)	2.20	1.80
4	956	1.00 (2.86)	2.70	2.10
5	1,087	1.137 (3.25)	3.20	2.40
6	1,227	1.283 (3.67)	3.70	2.70

Notes:

1. Poverty line based on a budget standard and refers to monthly income.
2. Numbers in brackets are re-calculated on the basis of the household of one, that is the weight of 1 is attached to the household of one.
3. Households of over six are excluded from the NRB data.
4. Using OECD purchasing power parities for 2001, £1 = ₩1,129.5

Source: Atkinson, et al. (1995); MOHW (2002c); Park et al. (2002).

7.3 Characteristics of recipient and non-recipient households

7.3.1 Behavioural characteristics with regard to labour participation

Table 7.3 provides information on current main economic activity of total NRB samples available including heads and other household members. The results indicate that non-recipient households tend to have higher rates of employment than recipient households, though both groups of low-income people tend to have low rates of employment: less than 50 per cent. It also shows many people with low-income, in particular, recipients (51 per cent), are not in employment because of illness or disability, or caring for children or relatives, or participating in the Self-reliance scheme. 20 per cent of both low-income groups were unemployed people.

Table 7.3 Main economic activity of total samples, by type of respondent (%)

	Recipients	Non-recipients	All
Employed	30	48	36
Unemployed	19	21	20
Other *	51	31	44
N	2,545	1,225	3,770

Note: * Economically inactive people who are ill, or caring for or nursing dependants, or on a government scheme.

Significance: *** $p < 0.001$.

Source: NRB (2001), Author's calculations.

Table 7.4 indicates behavioural characteristics between recipient and non-recipient households. With regard to the number of household members capable of work, recipient households are less likely to have household members capable of work than

non-recipient households: 40 per cent of recipient households were unable to work, but only 12 per cent of non-recipient households were unable to work. 88 per cent of non-assisted households had one or more persons able to work, as compared with 60 per cent of assisted households.

With regard to the number of unemployed people wanting to work, on average, the majority of low-income households (72 per cent) reported not wanting to work. But those excluded from social assistance are more likely to want to participate in the labour market than those included: 39 per cent of non-assisted households, compared with 24 per cent of assisted households.

Table 7.4 Behavioural characteristics between recipients and non-recipients (%)

	Recipients	Non-recipients	All
No. of people capable of work***			
0	40	12	32.3
1	41	45	42.2
2+	19	43	25.5
No. of people who are unemployed but want to work***			
0	76	61	72
1	20	29	23
2+	4	10	5
N	1,426	582	2,008

Significance: *** p<0.001.

Source: NRB (2001), Author's calculations.

Table 7.5 shows information on whether unemployed people had tried to seek work over

the past six months. It indicates that, on average, nearly half (49 per cent) of the low-income households included in that survey reported 'yes', among whom more non-recipient households (52 per cent) had tried seeking work during the past six months, compared to recipient households (45 per cent). Only 20 per cent of both low-income groups had not tried to find a job. 30 per cent of recipients and non-recipients were incapable of trying to seek work due to having disability or long term illness, or caring dependants or running a household.

Table 7.5 Whether having tried to seek work for income during the past six months, by household type (%)

	Yes	No	Incapable of trying to seek work*	N
Recipients	45	23	32	506
Non-recipients	52	20	28	582
All	49	21	30	1,088

Note: * Due to having disability or long term illness, or caring dependants or running a household etc.

Significance: † $p < 0.10$.

Source: NRB (2001), Author's calculations.

7.3.2 Economic situation

In this section, the economic circumstances of both groups of low-income households will be analysed, using information on income, assets, savings, debts, and housing tenure. Table 7.6 indicates that non-recipient households have more mean income, assets and savings, but more debts. Scrutinizing the table by dimension, there are some notable things. First, non-recipient households have higher mean income and assets than recipients, but on the basis of the budget-standard based poverty line (i.e. 40 per of

Table 7.6 Income, assets, savings and debts, by household type

	Recipients	Non-recipients
Gross household income (monthly)		
Mean (Won thousands)	465.1	525.9
S.D.	351.1	378.9
P	**	**
% who are poor	87.8	75.7
Gross household assets		
Mean (Won ten thousands)	1,682.9	2,627.1
S.D.	1,1143.4	1,2370.4
P	†	†
% with assets	78.3	87.6
Gross household savings		
Mean (Won ten thousands)	42.4	102.0
S.D.	330.2	560.0
P	**	**
% with savings	17.0	20.1
Gross household debts		
Mean (Won ten thousands)	1,281.9	1,511.9
S.D.	4419.2	2606.5
P	n.s.	n.s.
% with debts	46.4	48.8

N = 2,008 (for mean income, assets and savings); N = 945 (for mean debts).

Significance: † p<0.10; ** p<0.01; n.s. Not significant.

Source: Own calculation from NRB (2001).

equivalent median income before housing costs) the proportions of people who are poor are considerably high for both groups: 88 per cent for recipients and 76 per cent for non-recipients. In the case of recipient households, there seems to be a probability that gross income could be raised up to the level of the poverty line, if in-kind benefits, such as Health, Educational and Self-reliance Benefits that are provided only for those who want them, are included (this topic is discussed in detail in Chapter 9). However, the fact that a huge proportion of non-recipient households are living in poverty implies that those who should be covered by social assistance are excluded from it due to the strict eligibility. In fact, these people run a higher risk to be poor than recipients, and if they are confronted with other unfavourable conditions such as restricted access to the labour market or specific needs, their lack of any social safety net increases their poverty risk (Behrendt, 2002: 100). Therefore, while non-recipient households have an income and assets advantage over recipient households, a large proportion of those excluded from social assistance seem to suffer from poverty.

Second, those excluded from NBLIS have higher savings than those included: over two times higher. Yet the percentage of households who have savings is only about 20 per cent for both groups, on the contrary, the majority of the low-income households (80 per cent) have no savings at all. Considering that 86 per cent of whole households in Korea have savings (NSO, 2000), the rate of savings of non-recipient households (20 per cent) is far lower than that of the total households of Korea. This implies that although non-assisted poor households have more savings than assisted households, the income from the savings of low-income households seem not enough to serve as a shock absorber in preventing or reducing poverty.

Third, non-recipient households have slightly higher debts than recipients, while about

half of both groups have debts. Table 7.7 shows the reasons for debts among low-income households. The main reason was living cost (31 per cent), followed by fees for medical treatment (16 per cent), housing cost (13 per cent), getting working expenses (12.5 per cent), and education fees (9 per cent). There was relatively little difference between recipient and non-recipient households, except slightly higher rates of fees for medical treatment for recipient group and those of housing cost for non-recipients. The fact that living cost is the most important reason for debts for recipient households implies the social assistance benefit levels in Korea do not seem to secure an adequate standard of living for all households. In terms of regional difference, low-income households in rural areas reported significantly higher rates for farming cost (13 per cent) than other regions.

Table 7.7 Main reasons for debts, by household type and regions (%)

	Type of respondents*		Regions***		
	Recipients	Non-recipients	Great cities	Middle & small towns	Rural areas
Living expenses	32	28	33	33	22
Fee for medical treatment	17	13	18	15	15
Housing cost	11	17	13	11	16
Business	13	12	14	13	11
Education	9	11	7	11	11
Farming cost	4	4	-	3	13
Other	14	15	15	14	12
All	100	100	100	100	100
N	661	284	389	365	191

Significance: * p<0.05; *** p<0.001.

Source: Own calculation from NRB (2001).

Table 7.8 shows housing tenure by household type. It can be seen that although non-recipient households are more likely to be homeowners (25 per cent) than recipient households (14 per cent), this represents only a quarter of total non-recipient households. As shown in Table 7.7, a large proportion of low-income households, in particular, the higher rate of non-recipient households reported one of the major reasons for debts as housing costs. Housing Benefits of NBLS are, however, currently provided only for recipient households and no benefits for non-recipient households. The results presented in Table 7.7 and 7.8 support previous research claiming that the housing problems seem to make the economic situation of low-income households worse and the households live longer at poverty (Lee, 1999a).

Table 7.8 Type of housing tenure, by household type (%)

	Own house	Rented private	Hosing Assoc. rented	Other rented (inc. free)
Recipients	14	27	46	13
Non-recipients	25	23	43	9
All	17	26	45	12
N	346	513	909	240

Significance: *** p<0.001.

Source: Own calculation from NRB (2001).

7.3.3 Health and education

Three variables were used from NRB data to examine issues of health status and educational attainment: firstly, the presence of long-term illness; secondly, having a disability or not; and one variable to determine educational status: attendance of upper

secondary education. The reason for including these data is that long-term illness and having a disability are likely to limit usual daily activities and affect a person's earning potential, and lower educational attainment is likely to restrict job security in the labour market. Table 7.9 indicates some differences in health status between the two low-income household groups. Those in receipt of social assistance are more likely than those excluded from it to suffer both long-standing illness and disability, implying higher proportion of recipients are confronted with restricted access to the labour market and specific needs. On the other hand the table shows there is little difference in terms of educational attainment between the two kinds of poor households, while there was no significant association between the variables of respondent's type and educational status. Four in five of the low-income people are below upper secondary education.

Table 7.9 Health status and educational qualifications, by household type (%)

	Suffering long-term		Having		Educational qualifications	
	illness***		disability***		Upper secondary education & over	Below upper secondary education
	Yes	No	Yes	No		
Recipients	58	42	25	75	20	80
Non-recipients	48	52	16	84	20	80
All	55	45	22	78	20	80
N	1,099	909	444	1,564	410	1596

N = 2,008 (for long-term illness and disability); N = 2,006 (for educational qualification).

Significance: *** p<0.001.

Source: Own calculation from NRB (2001).

The NRB data have provided valuable information on the current status and situation of

both recipient and non-recipient households. Analysis will now be conducted on the factors associated with the existence of poverty and whether the patterns of poverty of assisted households differ from those of non-assisted poor households.

7.4 The determinants of poverty

This section uses logistic regression based on indicators of demography, health, education, employment and benefit status to analyse the probability of an individual living in a household with an income below the budget-standard based poverty line (i.e. 40 per cent of median income). The dependent variable for the logistic regression is binary; that is, a person (householder) in the survey is given a score of 1 if his or her household lives with a gross household income below the poverty line and a score of 0 if his or her household lives with a gross household income above the poverty line. Secondary analysis will be conducted on data on income of the two low-income groups – here those who are in receipt of NBLIS benefits and are excluded from the benefits.

Logistic regression is an appropriate statistical technique for this type of data and can be used to estimate which combination of explanatory variables gives a good prediction of the odds of a household living with an income less than the poverty threshold. The choice of explanatory (independent) variables will be limited to those which can be replicated using NRB data. The explanatory variables used for assessing the weight of the factors in explaining the determinants of poverty of recipient and non-recipient households are presented in Table 7.10, with the rationale for choosing them as possible predictors. These variables are drawn from the comparison of the socio-economic and demographic characteristics of the two low-income groups, examined in the previous section, with additional analysis from the findings of Saraceno (2002), NRB (2001),

Table 7.10 Variables used in logistic regressions of the determinants of being poor

Independent variables (coding)	Reason for inclusion
Number of persons in household	Low-income households with a higher number of members are likely to have insufficient incomes for supporting the household.
Age of household head Under 40; 40-59; 60 and more	Older people are likely to have lower incomes.
Single adults without children (yes=1)	Singles without children, traditionally regarded as 'undeserving', are more likely to live in poverty.
Lone parenthood (yes=1)	Lone parents are likely to have lower incomes.
Separated or divorced (yes=1)	Separation/divorce is likely to be more disadvantaged in the labour market.
Sex of householder (female=1)	Women are likely to have lower incomes.
Health: household containing any member who has any long-term illness or disability (yes=1)	Long-term illness is likely to limit usual daily activities and affect a person's earning potential.
Educational attainment: householder attended below upper secondary education (yes=1)	Lower educational attainment is likely to restrict job security in the labour market.
Housing tenure: Housing Association rented or other rented including free rented (yes=1)	People living in a house housing association rented or other rented including free rented are more likely to have lower incomes than those living in a house owned and rented private.
Labour market detachment: economically inactive or unemployed household (yes=1)	Economically inactive or unemployed people are more likely to experience poverty.
Household receiving NBLS benefits (yes=1)	Those in receipt of social assistance benefits are likely to live with lower incomes.
Residential area (region): households living in a rural area (rural areas=1, urban areas=0)	People living in rural areas are likely to have lower incomes than those in urban areas.

Huby et al. (1998), Jeong et al. (2001), and Whelan et al. (2003). It may be interesting to merge lone parenthood and separation/divorce into one variable, but as mentioned above there is an overlap of 450 samples between the two, thus they are separated in this analysis.

The results of an analysis of the determinants of poverty of three different groups, i.e. recipients, non-recipients and both low-income groups are listed in Tables 7.11. In the analysis, a variable indicating 'age of respondent (household head)' has been recorded into three binary variables by three age groups – under 40, 40 to 59, and 60 and over – in order to test whether there is any specific effect of age groups on being poor. A variable indicating 'receiving NBLIS benefits' has been used only for the analysis of both low-income groups (column 1) and excluded from that of recipients (column 2) and non-recipients (column3).

Table 7.11 shows that the odds of being poor vary by type of low-income group. In the first column, the best-fitting model selected six variables which contribute to the odds of low-income people including both recipients and non-recipients being poor. Receiving NBLIS benefits, labour market detachment, living in a rural area, householder's highest qualification, age under 40 and the number of persons in household are the strongest predictors of poverty. Receiving social assistance benefits increases the likelihood of experiencing poverty by three times (3.04***). Labour market detachment also has a significant effect on their chances of being in poverty. Those who are unemployed or inactive are almost 2.5 times (2.36***) more likely to be poor than other people with low income. Those living in a rural area (1.51*) and whose education status are below upper secondary education (1.41*) are almost 1.5 times more likely to experience poverty, while those aged under 40 are two times less (0.5**) likely

to be poor than others. Every additional person in the household increases the risk of being poor by 1.1 times (1.14*).

Some of these effects remain significant when analysis is conducted on recipient households. In the second column, the best-fitting model selected four variables: labour market detachment, living in a rural area and the number of persons in household, which were included in the model for both low-income groups, and single adults. In this model, educational attainment and age under 40 no longer have an impact on those in receipt of NBLIS benefits being in poverty. Single adults without children are almost six times (5.92***) more likely to be poor than other recipient households. Those who are unemployed and inactive are over 2.5 times (2.69***) and people in rural areas are about two times (2.08**) more likely to experience poverty. The number of persons in the household increases the likelihood of being in poverty by almost 1.5 times (1.32*).

Table 7.11 Odds ratios from logistic regression of being poor

	Recipients and non-recipients	Recipients	Non-recipients
Labour market detachment	2.36***	2.69***	2.12**
Region	1.51*	2.08**	n.s.
Educational attainment	1.41*	n.s.	n.s.
Number of persons	1.14*	1.32*	n.s.
Single adults	n.s.	5.92***	0.36**
Receiving NBLIS benefits	3.04***	—	—
Age under 40	0.50**	n.s.	0.35*

Note: * p<0.05; ** p<0.01; *** p<0.001

Source: NRB (2001).

The third column in Table 7.11 shows the odds of the non-recipient households in the NRB data being poor. Labour market detachment and age under 40 once again have an impact on the risk of being in poverty. Those detached from the labour market are over two times (2.12**) more likely to experience poverty, while those age under 40 are almost three times (0.35*) less likely to be poor. Unlike in the model for recipient households, single adults not receiving the social assistance benefits are almost three times (0.36**) less likely to experience poverty than other non-recipients. This may be because of better economic and health circumstances and behavioural characteristics of those excluded from the NBLIS benefits being more likely to seek labour participation than those included. In relation to the age groups, only one group, i.e. age under 40 was included in the models presented in this chapter. This indicates that those under 40 are less likely to be poor than older people. Other variables which were expected to have significant effects on being in poverty, such as lone parenthood, long-term illness, age over 60 etc., do not appear to be associated with the propensity to experience poverty in this research.

7.5 Conclusion

This chapter has started from the fact that a large number of people are excluded from Korean social assistance although they seem to be live in poverty. Also there was a suggestion from Saraceno (2002) that to evaluate if an income support scheme gives good coverage, those excluded from social assistance would be a useful control group since there may be similarities and differences with regard to behavioural characteristics between assisted and non-assisted low-income groups. The features of recipients and non-recipients were thus compared in the chapter to explore whether there are

similarities or distinctions between the two groups and to seek adequate policies for each group.

The empirical results presented in the chapter show that, notwithstanding the similarity of the two groups that live on low-income, there are significant differences. With regard to behavioural characteristics of labour participation, those excluded from NBLs tend to have higher rates of employment because of better economic and health circumstances, and to have a stronger desire to work, while there is little difference in terms of educational attainment between the two groups. The analysis of the determinants of being in poverty reveals that labour market detachment has a strong impact on the risk of experiencing poverty for both recipient and non-recipient households. In other words, low-income people who are outside the labour force are more likely to be in poverty. These findings suggest those who are employable and have a desire to work need to be more closely and systematically linked with an active labour market policy to help them escape from poverty and to promote autonomy and reintegration.

The poverty of recipients is most strongly influenced by living alone as well as labour market detachment. This suggests that raising NBLs levels may be a well-targeted way of relieving poverty for singles without children, on the one hand. On the other hand, the result also implies, as in most OECD countries (Adema et al., 2003: 46), setting social assistance payment rates for single (and possibly couple) families without children needs to give such clients stronger financial incentives to work, while the financial incentive structure for families with children tends to be weaker. The findings from the chapter show that the poverty of recipients is also influenced by living in a rural area. Previous studies on benefit levels suggest that the current benefit rates in Korea seem to be unfavourable to low-income households living in large cities,

who seem to need more living expenses than those living in smaller cities or rural areas (e.g. SSWI, 2005; also see section 6.2, Chapter 6). Thus the evidence drawn from this chapter does not seem to support the previous research. This study cannot tell us why this inconsistency occurs. Further in-depth studies on this issue would require an evaluation of the minimum living standards and living costs for different household type and size, as well as different regions that would go far beyond the scope of this study.

Chapter 8 Effectiveness of the social assistance scheme in Korea

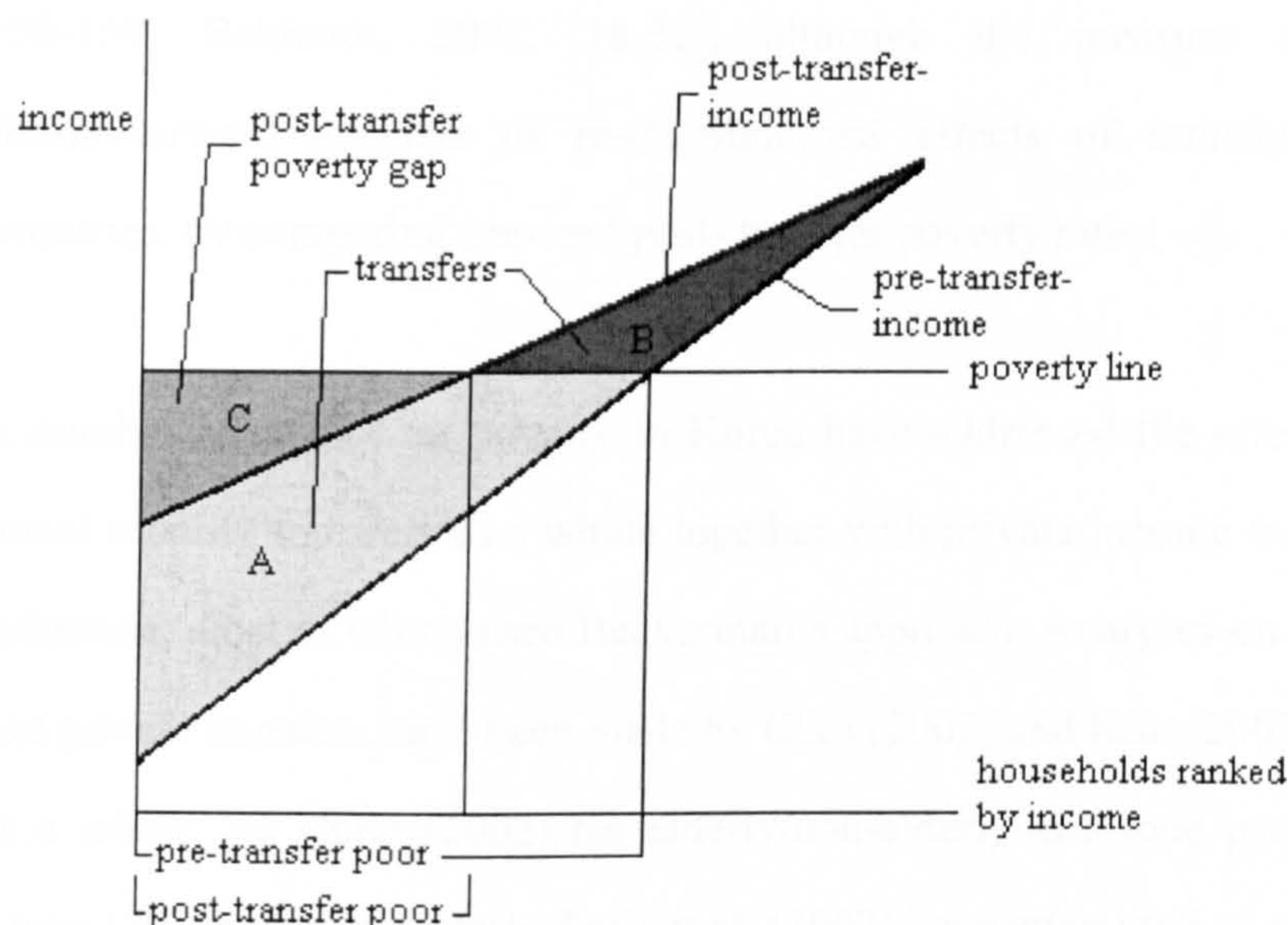
Means-tested social assistance benefits are the basic and final safety net and play a crucial role for the alleviation of poverty. Given that means-tested benefits are explicitly designed to alleviate poverty, the effects of social assistance schemes can be evaluated by the effectiveness of poverty reduction. As stated and argued in previous chapters (e.g. Chapter 2, 4 and 7), a large number of people in receipt of social assistance benefits in Korea seem to be living below the minimum living standards, which are benefit levels for social assistance. As shown in Chapter 7, about 80 per cent of recipients live below the benefit scale rates. Is the Korean social assistance benefit effective in protecting the poor from hardship? How effectively does the means-tested benefit reduce poverty? In this chapter, the effects of the Korean social assistance programme, the NBLIS scheme is evaluated on the basis of a comparison between incomes before and after transfer, using data from the NRB (2001).

8.1 Assessing the effectiveness of social policies

The evaluation of the impact of taxes and transfers largely follows Beckerman's (1979) influential approach, based on a comparison of poverty measure before and after redistribution. Figure 8.1 provides a way of illustrating the approach. The non-social security income and post-social security income is given by the bold lines. The areas marked A and B represent total social security transfers. With the poverty line indicated, the extent of pre-transfer poverty is represented by the areas A and C, whilst the area C represents post-transfer poverty, and A the sum of poverty reduced by transfers. The effectiveness of transfers can be measured as the ratio $A/(A+C)$ – poverty alleviated as a

proportion of pre-transfer poverty.⁸²

Figure 8.1 Beckerman ratios



Source: Beckerman (1979: 53), Behrendt (2002: 19)

There is a widespread perception that means-tested social assistance is growing in importance since the interest in targeting, selectivity and means-testing continues to grow in the international context, and rising long-term unemployment in Europe has caused more people to rely on social assistance benefits (Eurostat and European Commission, 2000, quoted in Hölsch and Kraus, 2004: 144). However, relatively little scholarly attention has been devoted to the effects of means-tested benefits on poverty (except Behrendt, 2000, 2002; Sainsbury and Morrissens, 2002; Hölsch and Kraus, 2004), although a number of studies have scrutinized the effects of taxes and social

⁸² Poverty reduction efficiency can be measured as the ratio $A/(A+B)$ – poverty prevented as a proportion of the total social security transfer expenditure spent.

security systems as a whole (e.g. Beckerman, 1979; Mitchell, 1991; Förster, 1994). The measured effectiveness of social transfers (i.e. Beckerman ratios) fails to provide clear explanation of why welfare states fail to effectively alleviate poverty (Mitchell, 1991: 156-159; Behrendt, 2002: 18-32), although the measure allows a relatively straightforward analysis of re-distributional effects of transfers across time and countries, by comparing pre- and post- transfer poverty rates.

A number of studies on poverty in Korea have addressed the effectiveness of Korean social security transfers as a whole together with private income transfers⁸³ on poverty reduction, most of which used Beckerman's approach. Analyses on the impact of social and private transfers have been made by Choi (2002) and Kim (2002) for the population as a whole, by Hong (2002) for elderly/non-elderly and lone parent households and Kwon (2001b) for the elderly. Park et al. (2002) have attempted to analyse the effects of redistribution through taxes and non-means-tested/means-tested benefits for the population as a whole as well as for employed and unemployed households. The previous studies have identified that the level of the effectiveness of social transfer systems in Korea is very low, wherein means-tested social assistance is most effective among all types. Rather, they find private income transfers contribute more to mitigating poverty than non-means-tested and means-tested benefits (Son, 1999; Choi, 2002; Hong 2002; Kim, 2002; Kwon, 2001b; Park et al., 2002), even though the effectiveness of social security systems has been improved since the new NBLIS social assistance programme was established in 2000 (Hong, 2002). The existing Korean studies, however, have not revealed specific patterns of poverty alleviation through social assistance, which is the most effective social safety net to reduce poverty in

⁸³ For example, financial support from family and relatives

Korea. Moreover, most of the previous literature has indirectly tested the effectiveness of the former categorical social assistance scheme in the analyses of total redistribution, and little analyses have been done on the new general assistance scheme (except Choi, 2002; Hong, 2002).

Given that one of the main purposes of social assistance schemes is poverty alleviation, a question arises of how effective social assistance programmes are in achieving their purpose of reducing poverty. The persistence of poverty in welfare states means the basic and final safety net of the welfare states is ineffective in eradicating poverty. A detailed assessment of the bottom safety net of welfare states can offer useful insight to the causes and the conditions of an effective alleviation of poverty (Behrendt, 2000, 2002).

8.2 Evaluating the effectiveness of social assistance in Korea

In this chapter, the NRB data are used. Information on the data was presented in Chapter 7 and Appendix C. The NRB data allow us to examine poverty among social assistance recipients in Korea and to evaluate the effectiveness of one single programme, in this case, social assistance in Korea (NBLIS) on poverty reduction. The subjects of this chapter are 1,426 social assistance recipients and their households – 71 per cent of the total NRB sample of 2,008 people and their households. Like in Chapter 7, in this chapter, comparisons and analyses of the recipient group are made at the level of household rather than individual as the eligibility and benefit unit for the NBLIS is normally established on a household base (except in special circumstances, in which case individuals may be treated as separate units). The characteristics of the household reference person are therefore used alongside variables that express household structure.

It is clear that the poverty rate is sensitive to the threshold used, but like the previous chapter, this study uses a budget-standard based poverty threshold, i.e. 40 per cent of the equivalent median income before housing costs. This chapter adopts the equivalence scale used in Chapter 7, attaching the weight of 1 for household of one, 1.65 for household of two, 2.28 for household of three, 2.86 for household of four, 3.25 for household of five, and 3.67 for household of six. As shown in the previous chapter, this scale looks very similar to the old OECD equivalence scale and much bigger than the modified OECD equivalence scale. The results of the budget-standard based poverty line adjusted for household size and the equivalence scale used are listed in Table 7.2 in Chapter 7.

Poverty rates based on equivalent gross income before housing costs are used as a measure for post-transfer. Poverty rates based on market income including earnings from labour and capital as well as occupational and private benefits are used as a measure for pre-transfer. Income before means-tested benefits is calculated by subtracting all means-tested benefits from the gross income. With regard to the income variables provided by the NRB data, Livelihood Benefit and Housing Benefit which are both cash benefits are included, and the other five in-kind benefits⁸⁴ which are provided for the NBLIS recipients are excluded from the variables. Therefore this study is limited to income poverty of recipient households.

To assess the effectiveness of social assistance benefits on poverty, in this chapter,

⁸⁴ In-kind benefits include Health Benefit, Educational Benefit, Maternity Benefit, Self-reliance benefit, and Funeral Benefit.

incomes of recipient households (N = 1,409) before and after means-tested transfers are compared in terms of incidence and intensity of poverty. The incidence of poverty indicates how many poor we find in a population, whereas the intensity of poverty deals with the question of how far the income of the poor is below the specified poverty threshold (Hölsch and Kraus, 2004: 153). For this study, the incidence of poverty is measured by the reduction of poverty rates, so-called head-count measure (i.e. the number of people or households who are lifted out of poverty), which is the most simple and commonly used measure in the poverty study (Mitchell, 1991). The head-count measure assesses the extent to which means-tested benefits reduce the number of households in poverty by giving the share of poor in the population being considered. However, this does not assess the degree to which incomes fall below the poverty line in the pre- and post- transfer situation (Beckerman, 1979; Hölsch and Kraus, 2004; Mitchell, 1991). Thus in combination with the head-count measure, the poverty gap method is used to evaluate the intensity of poverty and the extent to which people are lifted up the income scale by social assistance benefits.

The impact of means-tested transfers is addressed by the effectiveness of social assistance benefits in poverty reduction across a range of groups. Recent literature on poverty in Korea (Hong, 2002; Kim, 2002) noted that the effectiveness of social transfers on poverty varied by family types. While the aggregate poverty rate and poverty gap measures give an overview of the impact of transfer systems, they do not give information on the spread of the outcomes across the population, or concentration in particular areas (Mitchell, 1991: 45). The following groups have been adopted in this chapter: Elderly households (singles and couples); non-elderly households (unemployed/economically inactive households, the employed, lone parents and single

adults)⁸⁵; large households (households of four and over and five and more)⁸⁶.

8.3 Poverty reduction effectiveness

Table 8.1 presents the effects of means-tested social assistance benefits in Korea on poverty rates across various poverty brackets. It focuses on households that receive any sort of means-tested benefits; households not receiving benefits are excluded. Almost all recipient households in Korea (96.5 per cent) had an income below the budget-standard based poverty line, as such very high levels of poverty rates were displayed even after transfers – 87.8 per cent of recipient households were still in income poverty. Only a small fraction of the poor (8.7 per cent) were actually lifted over the poverty line after means-tested benefits including Livelihood Benefits and Housing Benefits. Poverty rates for the extreme poverty bracket, i.e. below 60 per cent of the poverty line, were considerably reduced to 31.7 per cent after transfer from 82.9 per cent before transfer.

The fifth and sixth columns in Table 8.1 present absolute and relative measures of poverty reduction effectiveness for social assistance transfer. The absolute measure is the percentage point difference between the pre-transfer and post-transfer poverty rates. The relative measure indicates the proportion of pre-transfer poor lifted above the poverty line through social assistance transfer. Means-tested social assistance benefits have reduced poverty by 8.7 percentage points in absolute terms and by 9 per cent in

⁸⁵ Some samples of lone parents and single adults overlap with those of unemployed or employed. Non-elderly couples without children are excluded from this study because of too small sample size for the NRB data.

⁸⁶ Include both elderly and non-elderly households.

relative terms. A close look reveals an outstanding reduction of poverty rates for the lowest poverty bracket. The share of the low-income population living in extreme poverty was reduced by 51 percentage points or by 62 per cent.

Table 8.1 Poverty rates before and after social assistance and reduction through social assistance (as a percentage of all receipt households), 2001

Poverty		Poverty status before SA benefits	Poverty status after SA benefits	Percentage point reduction	Percent reduction
Extreme poverty	Y < 60%	82.9	31.7	-51.2	-61.8
Poverty (less than 100%)	Y < 100%	96.5	87.8	-8.7	-9.0

Notes: N = 1,266. Y = gross household income adjusted for household size; 100 per cent of the poverty line equals the budget-standard based poverty line.

Source: NRB (2001), own calculations.

The fifth and sixth columns in Table 8.1 present absolute and relative measures of poverty reduction effectiveness for social assistance transfer. The absolute measure is the percentage point difference between the pre-transfer and post-transfer poverty rates. The relative measure indicates the proportion of pre-transfer poor lifted above the poverty line through social assistance transfer. Means-tested social assistance benefits have reduced poverty by 8.7 percentage points in absolute terms and by 9 per cent in relative terms. A close look reveals an outstanding reduction of poverty rates for the lowest poverty bracket. The share of the low-income population living in extreme poverty was reduced by 51 percentage points or by 62 per cent.

8.4 Evaluating the poverty gap

The impact of transfer policies in alleviating poverty may be measured by the size of poverty gap as well as by numbers of households (or people) who are in poverty. The poverty gap assesses the resources needed to eradicate poverty by summing the gaps between household income and the given poverty line. For the average poverty gap reduction, each family's gap is separately calculated as a percentage of the budget standard based poverty line adjusted for household size and the resulting estimates are averaged (Buhmann, et al., 1988; Mitchell, 1991). Poverty gaps are negative if the average income of households after transfers is higher than the poverty line.

Table 8.2 presents the results of the average poverty gap before and after social assistance benefits. After transfers, poverty gap is positive, thus implying that, on average, household incomes of the poor are still lower than the budget-standard based poverty line. The average poverty gaps were reduced to ₩181,000 (using the OECD

Table 8.2 Average poverty gap and average poverty gap reduction by social assistance transfers for households who were poor before having received social assistance, 2001 (thousand won or percentage)

Poverty gap before social assistance benefits	422
Poverty gap after social assistance benefits	181
Absolute poverty gap reduction	-241
Relative poverty gap reduction (%)	-57
N	1,266

Note: Using the OECD purchasing power parities for 2001, £1 = ₩1,129.5.

Source: NRB (2001), own calculations.

purchasing power parities, approximately £160) after transfers from ₩422,000 (approximately £373) before transfers.

The absolute reduction of poverty gap was ₩241,000 (approximately £213) and the relative reduction of poverty gap was 57 per cent. Consequently, the poverty gap before social assistance transfers has been large, but its reduction was not effective enough for the poor to eradicate poverty.

From the results of the study, it is shown that many beneficiary households are likely to live below the poverty line even after social assistance transfers. The aggregate poverty measures shown above however do not give information on whether there is variation in the head-counts and the poverty gaps for household types. Previous studies on poverty (e.g. Beckerman, 1979; Mitchell, 1991) argue there is considerable variation in the poverty rates and the size of poverty gaps of different household types and these variations are concealed when aggregates only are taken into account. A more detailed analysis, breaking down the aggregate measures into the disaggregated measures by household types may thus reveal a clearer picture of the impact of social assistance benefits on poverty.

8.5 Disaggregation of the poverty reduction and the poverty gap

This section examines the extent to which the social assistance benefits favour particular groups by analysing the pre- and post- transfer head-counts and poverty gaps for the following household types: elderly, non-elderly and large households. For each of the household types, the head-counts are analysed in the same ways as above, i.e. the

estimates of poverty rates and the poverty reduction effectiveness, and then the average poverty gap before and after social assistance benefits including the Livelihood Benefits and the Housing Benefits.

8.5.1 The elderly

The elderly have been included in many poverty studies as a vulnerable group since their economic well-being largely relies on the social security systems (Beckerman, 1979; Hong, 2002: 70; Kim, 2002; Ku, 2002: 96; Mitchell, 1991; Sainsbury and Morissens, 2002: 319). They are also exhibited as one of the household types which is in higher risk of poverty amongst the recipient households from the NRB data, while there seems to be considerable differences between elderly singles and elderly couples in terms of incidence and intensity of poverty.

Table 8.3 shows the incidence of poverty amongst recipient households headed by the elderly aged 60 and over on the basis of the budget-standard based poverty line. The pre- and post- benefit incidence of poverty amongst elderly singles is slightly lower than amongst elderly couples. Pre-transfer, 98.3 per cent of elderly singles lived in poverty, while all of elderly couples were in poverty. Post-transfer, there is less poverty amongst elderly singles (89.5 per cent) than amongst elderly couples (94.3 per cent), although the post-benefit incidence of poverty amongst the all elderly recipients is still substantial. The reduction of poverty rates for elderly singles is also more marked than that for elderly couples - 8.8 percentage points in absolute terms and 9.0 per cent in relative terms for elderly singles, and 5.7 percentage points and 5.7 per cent for elderly couples. In particular, the share of the low-income population living in the lowest poverty bracket has been considerably reduced by 74.8 percentage points and 78.8 per cent for

elderly singles, while 48.1 percentage points and 54.4 per cent for elderly couples.

Table 8.3 Poverty rates before and after social assistance and reduction through social assistance (as a percentage of all elderly recipient households), 2001

Poverty	Poverty status	Poverty status before SA benefits		Poverty status after SA benefits		Percentage point reduction		Percent reduction	
		Sing	Coup	Sing	Coup	Sing	Coup	Sing	Coup
		Extreme poverty	Y < 60%	94.9	88.5	20.1	40.4	-74.8	-48.1
Poverty (less than 100%)	Y < 100%	98.3	100.0	89.5	94.3	-8.8	-5.7	-9.0	-5.7

Notes: Sing = singles aged 60 and over (N = 239); Coup = couples aged 60 and over living alone (N = 104); Y = gross household income adjusted for household size; 100 per cent of the poverty line equals the poverty line.

Source: NRB (2001), own calculations.

Table 8.4 shows the results of the average poverty gaps for the elderly pre- and post-transfers. The poverty gaps for elderly singles both before and after benefits were much smaller than those for elderly couples, although post-benefit household incomes of all elderly households are still lower than the budget-standard based poverty line. This means elderly singles are likely to be better off than elderly couples, though the poverty gaps were still negative. Considering the reduction of poverty gaps, the social assistance benefits in Korea display smaller decrease in poverty gaps for elderly singles (₩253,000) than for elderly couples (₩301,000) in absolute terms, while they are slightly more effective for elderly singles (61 per cent) than elderly couples (57 per cent) in relative terms.

Table 8.4 Average poverty gap and average poverty gap reduction by social assistance transfers for elderly households who were poor before having received social assistance, 2001 (thousand won or percentage)

	Single	Couple
Poverty gap before social assistance benefits	418	530
Poverty gap after social assistance benefits	165	229
Absolute poverty gap reduction	-253	-301
Relative poverty gap reduction (%)	- 61	-57
N	239	104

Note: Using the OECD purchasing power parities for 2001, £1 = ₩1,129.5.

Source: NRB (2001), own calculations.

8.5.2 Working-age adults

Unemployed/economically inactive and employed people

Unemployed or economically inactive people who are ill, disabled, and caring for or nursing dependents, are often deemed as vulnerable groups to poverty, because they are detached from the labour market (Ku, 2002; Sainsbury and Morissens, 2002; Son, 1999; Whelan et al., 2003). Table 8.5 shows the importance of the means-tested benefits in alleviating poverty among households headed by working-age adults, i.e. aged below 60. 97.4 per cent of all unemployed or economically inactive households in receipt of social assistance had an income below the budget-standard based poverty line before transfers and 88.9 per cent of them were in extreme poverty. The Korean social assistance benefits have reduced poverty by 6.8 percentage points in absolute terms and 7 per cent in relative terms after transfers, but 90.6 per cent of them still lived in poverty after having received the benefits. The share of the low-income population living in extreme

poverty was reduced by 51.6 percentage points and 58 per cent, but 37.3 per cent of the population remained in the lowest poverty bracket.

Recipient households headed by the employed had much lower poverty rates both before and after transfers – 92.9 per cent and 78.9 per cent respectively. Actually, the pre- and post- benefit incidence of poverty amongst the employed is second lowest amongst all types of households discussed in the chapter. The reduction in the incidence of poverty for the group is in fact greatest among all household types, although many of the employed remain in poverty after social assistance transfers. Means-tested benefits have reduced poverty by 14 percentage points in absolute terms and 15.1 per cent in relative terms.

Table 8.5 Poverty rates and poverty reduction for households headed by the unemployed/economically inactive and employed having received social assistance, 2001

Poverty		Poverty status		Poverty status		Percentage point		Percent	
		before SA benefits		after SA benefits		reduction		reduction	
		Une	Emp	Une	Emp	Une	Emp	Une	Emp
Extreme poverty	Y < 60%	88.9	63.6	37.3	21.4	-51.6	-42.2	-58.0	-66.3
Poverty (less than 100%)	Y < 100%	97.4	92.9	90.6	78.9	-6.8	-14.0	-7.0	-15.1

Notes: Une = unemployed or economically inactive people who are ill, disabled, caring for or nursing dependents, or on a government scheme (N = 386); Emp = employed people (N = 341); Y = gross household income adjusted for household size; 100 per cent of the poverty line equals the poverty line.

Source: NRB (2001), own calculations.

In Table 8.6, the results of the estimates of the average poverty gaps and the reduction in

the poverty gaps pre- and post- transfers for unemployed and employed households are presented. The poverty gap estimates show the average size of the poverty gap before transfer for unemployed or economically inactive households is much greater than that for employed households, which means the social assistance benefits had a larger gap to fill: ₩491,000 for the unemployed/inactive, and ₩355,000 for the employed. Post-transfer, the poverty gap measure tells a similar story to the pre-transfer – ₩226,000 for the unemployed/inactive, and ₩157,000 for the employed. There is not much difference between the two groups with regard to the relative reduction of poverty gaps, while the absolute reduction of poverty gaps for the unemployed is larger than that for the employed, even though the labour market detached are more likely to be poor post-transfer.

Table 8.6 Average poverty gap and average poverty gap reduction by social assistance transfers for households headed by working-age adults in receipt of social assistance (thousand won or percentage)

	Unemployed or economically inactive	Employed
Poverty gap before social assistance benefits	491	355
Poverty gap after social assistance benefits	226	157
Absolute poverty gap reduction	-265	-198
Relative poverty gap reduction (%)	-54	-56
N	386	341

Note: Using the OECD purchasing power parities for 2001, £1 = ₩1,129.5.

Source: NRB (2001), own calculations.

Lone parents and single adults (working-age)

Lone parents have been a significant group in the poor population in many studies (e.g. Hong, 2002; Ku, 2002; Mitchell, 1991). They are also a very vulnerable group to poverty in the NRB data, although the incidence of poverty amongst the group is not the highest. Table 8.7 shows the incident of poverty among households headed by working-age lone parents and single adults without children. Over 95 per cent of the lone parent households lived in poverty before benefits and the post-benefit incident of poverty among the group was still high - 84.1 per cent. The reduction in poverty amongst the lone parents in Korea is relatively high - the social assistance benefits have reduced poverty by 11.7 percentage points in absolute terms and 12.2 per cent in relative terms. With regard to the lowest poverty bracket, the Korean means-tested benefits have reduced poverty amongst lone parents by 61.2 per cent (or 47.3 percentage points).

Table 8.7 Poverty rates before and after social assistance and reduction through social assistance for working-age lone parents and single adults without children, 2001

Poverty status		Poverty status		Poverty status after		Percentage point		Percent	
		before SA benefits		SA benefits		reduction		reduction	
		Lone	Sing	Lone	Sing	Lone	Sing	Lone	Sing
Extreme poverty	Y < 60%	77.3	69.0	30.0	17.2	-47.3	-51.8	-61.2	-75.1
Poverty (less than 100%)	Y < 100%	95.8	90.5	84.1	78.4	-11.7	-12.1	-12.2	-13.4

Notes: Lone = working-age lone parents (N = 309); Sing = working-age single adults without children (N = 116); Y = gross household income adjusted for household size; 100 per cent of the poverty line equals the poverty line.

Source: NRB (2001), own calculations.

The incidence of poverty amongst working-age single adults without children both before and after transfer is lowest among all groups, and poverty reduction was second greatest after the employed. Indeed, 90.5 per cent of all single persons had an income below the poverty line based on the budget standard before transfer, and 78.4 per cent of the group lived in poverty after transfer. Poverty rates for the extreme poverty bracket (below 60 per cent of the poverty line) were significantly reduced to 17.2 per cent after transfer from 69 per cent before transfer. The social assistance benefits have reduced poverty among single adults by 13.4 per cent and 12.1 percentage points. The share of the population living in extreme poverty among single adults has considerably declined by 51.8 percentage points or 75 per cent, but 17.2 per cent of households remained in this bracket in spite of social assistance transfers.

To give a clearer picture of the impact of social assistance benefits across lone parents and single adults, Table 8.8 shows the average poverty gap and its reduction pre- and

Table 8.8 Average poverty gap and average poverty gap reduction by social assistance transfers for lone parents and single adults who were poor before having received social assistance, 2001 (thousand won or percentage)

	Lone parents	Single adults
Poverty gap before social assistance benefits	399	201
Poverty gap after social assistance benefits	172	40
Absolute poverty gap reduction	-227	-161
Relative poverty gap reduction	-57%	-80%
N	309	116

Note: Using the OECD purchasing power parities for 2001, £1 = ₩1,129.5.

Source: NRB (2001), own calculations.

post-transfer. Of all household types considered in this chapter, the poverty gaps for single persons were the smallest both before and after the social assistance transfers; in other words, the social assistance benefit had the smallest gap to fill for the group – Pre-transfer ₩201,000 (using purchasing power parities, approximately £178) and post-transfer ₩40,000 (approximately £35). The relative reduction of the poverty gaps for the group has been greatest amongst all groups – 80 per cent in relative terms, and ₩161,000 in absolute terms. There is no big difference in the reduction in the poverty gap for lone parents, compared to other types of recipient households. The reduction of poverty gap was ₩227,000 in absolute terms and 57 per cent in relative terms.

8.5.3 Large households

Low-income households with a higher number of members are likely to have insufficient incomes for supporting the household so they have poverty rates that often rival or exceed those of other vulnerable groups such as lone parents (Sainsbury and Morissens, 2002: 317; Saraceno, 2002). Table 8.9 shows, the incidence of poverty amongst recipient households of four and over, and five and over. Households of five and over had a higher poverty rate (97.9 per cent) than other household types except elderly singles and couples before transfer, and second highest post-benefit poverty rate (90.8 per cent) after elderly couples; even slightly higher than unemployed households. The poverty rate has been reduced by 7.1 percentage points in absolute terms or by 7.3 per cent in relative terms. The percentage of households of five and more living in extreme poverty has been reduced by 36.7 percentage points and 45 per cent, but 45 per cent of the large households were still in the lowest poverty bracket after transfers.

Table 8.9 Poverty rates before and after social assistance and reduction through social assistance for large households, 2001

Poverty		Poverty status before		Poverty status		Percentage		Percent	
		SA benefits		after SA benefits		point reduction		reduction	
		4+	5+	4+	5+	4+	5+	4+	5+
Extreme poverty	Y < 60%	81.5	81.6	40.4	44.9	-41.1	-36.7	-50.4	-45.0
Poverty (less than 100%)	Y < 100%	96.8	97.9	90.8	90.8	-6.0	-7.1	-6.2	-7.3

Notes: 4+ = household of four or more (N = 282); 5+ = households of five or more (N = 98); Y = gross household income adjusted for household size; 100 per cent of the poverty line equals the poverty line.

Source: NRB (2001), own calculations.

Table 8.10 Average poverty gap and average poverty gap reduction by social assistance transfers for large households who were poor before having received social assistance, 2001 (thousand won or percentage)

	4+	5+
Poverty gap before social assistance benefits	610	671
Poverty gap after social assistance benefits	328	372
Absolute poverty gap reduction	-282	-299
Relative poverty gap reduction (%)	-46	-45
N	282	98

Note: Using the OECD purchasing power parities for 2001, £1 = ₩1,129.5.

Source: NRB (2001), own calculations.

Table 8.10 shows households of five and over recorded the largest poverty gaps amongst all groups both before and after social assistance benefits. In other words, the

means-tested assistance benefits had the largest gap to fill for the group. Pre-transfer, it was ₩671,000 and the post-transfer poverty gap was ₩372,000. The reduction of poverty gaps for the large households is one of the greatest in absolute terms (₩299,000) after elderly couples, but least in relative term (45 per cent).

8.6 Summary

Table 8.11 breaks down all results of the effects of the Korean social assistance benefits shown above into household types used in this study. It can be seen that over 80 per cent of the total population having received social assistance benefits live in poverty after transfer. Elderly couples without children exhibit the highest poverty rates amongst all groups discussed both before and after benefits. Large households (i.e. households of five and over), unemployed/economically inactive households (working-age), and elderly singles are also significant groups in the pre- and post-transfer poor population. The incidence of pre- and post-transfer poverty amongst working-age single adults without children and employed households is lowest, but many of them still remain in poverty after transfers. Poverty reduction is greatest among the employed both in absolute and relative terms, followed by single adults and lone parents. Poverty rate reductions are least in elderly couples and unemployed/economically inactive people both in absolute and relative terms.

In terms of poverty gaps, the post-transfer average incomes of all recipient households are still lower than the poverty line of 40 per cent of median. The pre- and post-transfer poverty gaps for large households are greatest, and those for single adults are smallest. Elderly couples and unemployed/inactive households also record large poverty gaps. The

Table 8.11 Effects of social assistance benefits by household types, 2001 (percentage or thousand won)

	Elderly single	Elderly couple	Unemployed /inactive	Employed	Lone parent	Single adult	5+	All recipients
Pre-transfer pov. rate	98.3	100.0	97.4	92.9	95.8	90.5	97.9	96.5
Post-transfer pov. rate	89.5	94.3	90.6	78.9	84.1	78.4	90.8	87.8
Absolute pov. reduction (percentage points)	- 8.8	- 5.7	- 6.8	- 14.0	- 11.7	- 12.1	- 7.1	- 8.7
Relative pov. reduction (%)	- 9.0	- 5.7	- 7.0	- 15.1	- 12.2	- 13.4	- 7.3	- 9.0
Pre-transfer pov. gap	418	530	491	355	399	201	671	422
Post-transfer pov. gap	165	229	226	157	172	40	372	181
Absolute pov. gap reduction	- 253	- 301	- 265	- 198	- 227	- 161	- 299	- 241
Relative pov. gap reduction (%)	- 61	- 57	- 54	- 56	- 57	- 80	- 45	- 57
N	239	104	386	341	309	116	98	1,266

relative impact of the benefits on working-age single adults is greatest, followed by elderly singles, and lowest on large households. Single adults, however, display smallest decrease in the absolute reduction of poverty gaps. This is simply because the poverty gaps for this group before benefits are much smaller than for the other household types, which means the benefits had a smaller gap to fill. It is elderly couples and large households whose poverty gaps are most reduced by the social assistance benefits in absolute terms, even though they are more likely to be poor post-transfer than the other groups. Part of the explanation for this is that these groups start from the lowest pre-transfer income position.

The newly-established social assistance scheme in Korea, NBLIS does not radically

alleviate poverty, although there is a reduction from 96 per cent to 88 per cent and recipients' income positions are improved after social assistance transfers in both head-count and poverty gap terms. Whereas it is also shown that there is considerable variation between different household types regarding the degree to which the social assistance benefits protect people from poverty. The picture of the impact of the Korean social assistance scheme on poverty may be revealed more clearly by being compared with that of other countries. Thus, in Chapter 9, to obtain a comparative perspective, the effectiveness of social assistance benefits in Britain on poverty alleviation is evaluated and compared with the Korean scheme.

Chapter 9 Effectiveness of the social assistance scheme in Britain

In Chapter 8, the effectiveness of the Korean social assistance scheme on poverty reduction was evaluated, using household data from the NRB. In this chapter, to obtain a comparative perspective, the effectiveness of social assistance benefits in Britain on poverty alleviation is assessed on the basis of a British dataset, the Family Resources Survey of Great Britain (FRS). The incidence and the intensity of poverty for a range of household types are analysed in the same ways as Chapter 8, i.e. the estimates of poverty rates and the poverty reduction effectiveness, and then the average poverty gap before and after social assistance benefits in Britain.

9.1 Evaluating the effectiveness of social assistance in Britain

In this chapter, the impact of social assistance benefits on poverty in Britain is analysed on the basis of the FRS database (2001/02), which is a continuous cross-sectional survey with a sample of some 24,000 households. The FRS data contain information on the incomes and circumstances of private households in Great Britain. The data include household characteristics; income and receipt of social security benefits; tenure and housing costs; assets and savings; carers and those needing care; and employment. The FRS database includes information on households receiving various means-tested social assistance benefits. In Chapter 8, the effectiveness of two cash assistance, the Livelihood and Housing Benefits, were assessed. In this chapter, therefore, households receiving any or all of three means-tested benefits, i.e. Income Support, Housing Benefit and Council Tax Benefit have been selected as British counterpart. The rationale for choosing not only Income Support and Housing Benefit but also Council Tax Benefit is that, in effect, council tax has been extended from the housing benefit scheme

(Hill, 2000: 116).⁸⁷ The subjects of the study are 5,826 social assistance recipient households – 23 per cent of the total sample out of 25,320 people and their households.

The budget-standard based poverty line in Korea for four-person households, which was adopted in Chapter 8 for analysing the effects of the Korean social assistance scheme, was just below 40 per cent of the median income adjusted for household size, before housing costs, in 2000 (Ku, 2004; Park et al, 2002; Yeo et al., 2006). Therefore, in this chapter, a poverty line of 40 per cent of the median equivalent income is applied to evaluate the impact of the British social assistance scheme. Additional poverty lines of 50 and 60 per cent of the median equivalent income, which are used by the OECD and Eurostat, are used to check for the sensitivity test.⁸⁸

Like in Chapter 8, poverty rates based on equivalent gross income before housing costs are used as a measure for post-transfer. Poverty rates based on market income including earnings from labour and capital as well as occupational and private benefits are used as a measure for pre-transfer. Income before means-tested benefits is calculated by subtracting all means-tested benefits from the gross income. In addition, the equivalence

⁸⁷ It is a system of domestic rates on property, with the number of adult occupants of the property partly taken into account. Council tax payers with low-income can have a reduction in their payments, calculated in a similar way to Income Support and Housing Benefit.

⁸⁸ The detailed results for the additional poverty lines are included in Appendix B.

scale applied to the budget-standard based poverty line in Korea⁸⁹ is also used in this chapter to adjust the gross income for household size for the British population in the FRS data. The poverty line of 40 per cent of the median equivalent monthly gross income before housing costs is £377.⁹⁰

To assess the effectiveness of means-tested social assistance benefits in Britain on poverty alleviation, in this chapter, incomes of recipient households before and after social assistance transfers are compared in terms of incidence and intensity of poverty. Following Behrendt's (2002) approach, the incidence of poverty is measured by the head-counts across poverty brackets to assess different intensities of poverty and to illustrate the extent to which social assistance benefits contribute to total income for the poor. In the chapter, the poverty brackets are re-defined as incomes lower than 60 per cent of the budget-standard based poverty line ('extreme poverty'), between 60 and 80 per cent ('severe poverty'), between 80 and 100 per cent ('moderate poverty'), between 100 and 120 per cent ('near poverty') and over 120 per cent ('no poverty'). 100 per cent of the poverty line thus equals 40 per cent of the median gross household income. The intensity of poverty is measured by the poverty gap method that evaluates the extent to which people are lifted up the income scale by means-tested social assistance benefits. The pre- and post transfer head-counts and poverty gaps are examined for the household

⁸⁹ It attaches the weight of 1 to the one-person household, 1.65 for household of two, 2.17 for household of three, 2.86 for household of four, 3.25 for household of five and 3.67 for household of six. For more detail, see Chapter 4.

⁹⁰ The poverty line of 40 per cent of the median equivalent monthly gross income after housing costs is £338.

types identified in Chapter 8, i.e. elderly, non-elderly and large households.⁹¹

9.2 The Poverty reduction and the poverty gap for recipients

Table 9.1 presents the effectiveness of the British social assistance schemes on poverty rates across various poverty brackets. As in Chapter 8, it focuses on households that receive any sort of means-tested benefits and households not receiving benefits are excluded. Over a half of all recipient households were living below the poverty line of 40 per cent of the median gross income before having received some kind of means-tested benefits, but only 10.4 per cent did so after social assistance transfers. The reduction of poverty rates by social assistance transfers in Britain is considerably marked – 43.3 percentage points and 80.6 per cent respectively. There was an outstanding reduction of the poverty rates for the three lower poverty brackets. The share of the population living in extreme poverty was reduced by 96.9 per cent; and by 67.2 per cent and 47.4 per cent in the severe and the moderate poverty brackets respectively.

⁹¹ As mentioned in Chapter 8, some samples of lone parents and single adults overlap with those of unemployed or employed. Non-elderly couples without children are excluded from this study because of too small sample size for the NRB data. Large households include both elderly and non-elderly households. Unlike in Chapter 8, only unemployed households are included and economically inactive households are excluded in Chapter 8, in order to avoid overlap of non-elderly samples.

Table 9.1 Poverty rates before and after social assistance and reduction through means-tested social assistance (as a percentage of all recipient households), 2001/02

Poverty status		Poverty status before SA benefits (percent)	Poverty status after SA benefits (percent)	Absolute poverty reduction (percentage points)	Relative poverty reduction (percent)
Extreme poverty	$Y < 60\%$	33.3	1.0	-32.3	-96.9
Severe poverty	$60\% \leq Y < 80\%$	6.7	2.2	-4.5	-67.2
Moderate poverty	$80\% \leq Y < 100\%$	13.7	7.2	-6.5	-47.4
Near poverty	$100\% \leq Y < 120\%$	12.3	16.0	3.7	30.1
No poverty	$Y > 120\%$	34.0	73.5	39.5	116.1
Poverty (less than 100%)	$Y < 100\%$	53.7	10.4	-43.3	-80.6

Notes: N = 5,778; Y = gross household income adjusted for household size; 100 per cent of the poverty line equals 40 per cent of the median gross household income.

Source: FRS (2002), own calculations.

Table 9.2 presents the results of the average poverty gaps for all recipient households before and after social assistance benefits. As stated in Chapter 8, poverty gaps are negative if the average income of households after transfers is above the poverty line. After transfers, the poverty gap in Britain is negative, thus implying that, on average, household incomes of the poor are above the poverty line of 40 per cent of the median – average income increased to £121 above the poverty line after social assistance transfers from £208 below the poverty line before transfers. The poverty gaps in Britain were reduced by £329 in absolute terms and 158 per cent in relative terms. Consequently,

Table 9.2 Average poverty gap and average poverty gap reduction by social assistance transfers for households who were poor before having received social assistance, 2001/02 (sterling or percentage)

Poverty gap before social assistance benefits	208
Poverty gap after social assistance benefits	-121
Absolute poverty gap reduction	-329
Relative poverty gap reduction (%)	-158
N	3,017

Source: FRS (2002), own calculations.

with regard to the 40 per cent poverty line, the aggregate measure shows poverty gap before social assistance transfers has been large in Britain, and its reduction was effective enough for the poor to eradicate poverty.

9.3 Disaggregation of the poverty reduction and the poverty gap

The pre- and post- social assistance transfer head-counts and poverty gaps for various households are examined in this section. Table 9.3 shows the incidence of poverty among recipient households headed by the elderly aged 60 and over on the basis of the poverty line of 40 per cent of the median. The pre-benefit incidence of poverty amongst the elderly singles in Britain (33.8 per cent) is slightly higher than amongst elderly couples (26.8 per cent), but post-transfer, less poverty amongst elderly singles (1.1 per cent) than amongst elderly couples (3.4 per cent). Poverty has considerably been reduced for elderly singles by 32.7 percentage points and for elderly couples by 23.4 percentage points in absolute terms. In both groups, the relative reduction in poverty brought about by the benefits is the greatest amongst all the groups discussed

– 96.7 per cent for elderly singles and 87.3 per cent for elderly couples. In particular, the share of the population living in the lowest poverty bracket has been significantly reduced by 97.3 per cent for elderly singles and by 97 per cent for elderly couples in relative terms.

Table 9.3 Poverty rates before and after social assistance and reduction through social assistance (as a percentage of all elderly households receiving social assistance benefits), 2001/02

Poverty status	Poverty status	Poverty status		Absolute poverty		Relative poverty			
		before SA benefits (percent)	after SA benefits (percent)	reduction (percentage points)	reduction (percent)				
		Sing	Coup	Sing	Coup	Sing	Coup	Sing	Coup
Extreme poverty	$Y < 60\%$	7.5	10.0	0.2	0.3	-7.3	-9.7	-97.3	-97.0
Severe poverty	$60\% \leq Y < 80\%$	3.0	5.4	0.2	0.9	-2.8	-4.5	-93.3	-83.3
Moderate poverty	$80\% \leq Y < 100\%$	23.3	11.4	0.7	2.2	-22.6	-9.2	-96.9	-80.7
Near poverty	$100\% \leq Y < 120\%$	21.4	20.1	5.2	10.1	-16.2	-10.0	-75.7	-49.8
No poverty	$Y > 120\%$	44.8	53.1	93.7	86.5	48.9	33.4	109.1	62.9
Poverty (less than 100%)	$Y < 100\%$	33.8	26.8	1.1	3.4	-32.7	-23.4	-96.7	-87.3

Notes: Sing = singles aged 60 and over (N = 1,656); Coup = couples aged 60 and over living alone (N = 772); Y = gross household income adjusted for household size; 100 per cent of the poverty line equals 40 per cent of the median gross household income.

Source: FRS (2002), own calculations.

In Table 9.4, the results of the estimates of the average poverty gaps and the reduction in

the poverty gaps pre- and post- transfers for recipient households headed by the elderly are presented. The poverty gaps in Britain for elderly singles were smaller than elderly couples before transfers and average income for elderly singles was also larger than elderly couples after transfer. Elderly singles have far more reduction in their poverty gaps than elderly couples both in absolute and relative terms, as shown in Table 9.4.

Table 9.4 Average poverty gap and average poverty gap reduction by social assistance transfers for elderly households who were poor before having received social assistance, 2001/02 (sterling or percentage)

	Single	Couple
Poverty gap before social assistance benefits	94	139
Poverty gap after social assistance benefits	-236	-121
Absolute poverty gap reduction	-330	-260
Relative poverty gap reduction (%)	-351	-187
N	555	203

Source: FRS (2002), own calculations.

Table 9.5 presents the effects of means-tested social assistance benefits in Britain on poverty rates amongst recipient households headed by unemployed and employed adults aged below 60. With regard to the 40 per cent poverty line, the incidence of poverty amongst the unemployed group is highest both pre- and post- benefits. Indeed, 94.8 per cent of all unemployed households in receipt of social assistance benefits lived in poverty before transfers, and in particular 83.3 per cent of them were in extreme poverty. After transfers, the British social assistance benefits have reduced poverty for the labour market detached by 62.8 percentage points in absolute terms and by 66.2 per cent in relative terms, but 32 per cent of them remained in poverty. The share of the population

living in extreme poverty decreased considerably by 4 per cent after social assistance transfers.

The pre- and post- benefit incidence of poverty amongst non-elderly employed households is lower than amongst unemployed households, but higher than elderly households. The reduction of poverty rates for the labour market detached is slightly higher than that for the employed in absolute terms, but lower in relative terms.

Table 9.5 Poverty rates and poverty reduction for households headed by working-age adults in receipt of social assistance, 2001/02

Poverty	Poverty status	Poverty status		Absolute poverty		Relative poverty			
		before SA	after SA	reduction	reduction				
	benefits	benefits	benefits	(percentage	(percent)				
	(percent)	(percent)	(percent)	points)					
		Une	Emp	Une	Emp	Une	Emp		
Extreme poverty	Y < 60%	83.3	50.1	4.0	1.4	-79.3	-48.7	-95.2	-97.2
Severe poverty	60% ≤ Y < 80%	8.5	8.8	7.9	3.2	-0.6	-5.6	-7.1	-63.6
Moderate poverty	80% ≤ Y < 100%	3.0	10.0	20.1	11.1	17.1	1.1	5.7	11.0
Near poverty	100% ≤ Y < 120%	0.6	6.5	30.7	22.7	30.1	16.2	5,016.7	249.2
No poverty	Y > 120%	4.6	24.6	37.4	61.6	32.8	37.0	713.0	150.4
Poverty (less than 100%)	Y < 100%	94.8	68.9	32.0	15.7	-62.8	-53.2	-66.2	-77.2

Notes: Une = unemployed people (N = 329); Emp = employed people (N = 2,859); Y = gross household income adjusted for household size; 100 per cent of the poverty line equals 40 per cent of the median gross household income.

Source: FRS (2002), own calculations.

In Table 9.6, the results of the estimates of the average poverty gaps and the reduction in the poverty gaps pre- and post- transfers for unemployed and employed households are presented. The pre-benefit poverty gap for unemployed households is highest (£303) amongst all household types discussed in this chapter. Poverty gap for unemployed households was markedly reduced by the social assistance benefits in absolute terms (£348), but post-benefit poverty gap for the group is still one of the lowest (-£45). While post-benefit household incomes of both unemployed and employed groups are higher than the 40 per cent poverty line.

Table 9.6 Average poverty gap and average poverty gap reduction by social assistance transfers for households headed by unemployed and employed adults, 2001/02 (sterling or percentage)

	Unemployed	Employed
Poverty gap before social assistance benefits	303	235
Poverty gap after social assistance benefits	-45	-100
Absolute poverty gap reduction	-348	-335
Relative poverty gap reduction (%)	-115	-142
N	297	1,907

Source: FRS (2002), own calculations.

Table 9.7 shows the incident of poverty among households headed by working-age lone parents and single adults without children. Before social assistance benefits, lone parent households in Britain are one of the most vulnerable groups in the sense that they exhibit high poverty rate (85.2 per cent). The post-benefit poverty rate among the group is still over 20 per cent, although the social assistance benefits have reduced poverty by more than half (75.2 per cent). With regard to the lowest poverty bracket, the reduction of

poverty rates among lone parent households is very impressive – 98.5 per cent in relative terms and 74.4 percentage points in absolute terms, whereas the share of the population living in the moderate poverty bracket increased.

Table 9.7 Poverty rates before and after social assistance and reduction through social assistance for working-age lone parents and single adults without children, 2001/02

Poverty status	Poverty status	Poverty status		Absolute poverty		Relative poverty			
		before SA	after SA	reduction	reduction				
		benefits	benefits	(percentage	(percent)				
		(percent)	(percent)	points)					
		Lone	Sing	Lone	Sing	Lone	Sing	Lone	Sing
Extreme poverty	$Y < 60\%$	75.5	48.4	1.1	2.0	-74.4	-46.4	-98.5	-95.8
Severe poverty	$60\% \leq Y < 80\%$	5.5	10.9	4.1	3.8	-1.4	-7.1	-25.4	-65.1
Moderate poverty	$80\% \leq Y < 100\%$	4.2	17.3	15.9	3.2	11.7	-14.1	278.5	-81.5
Near poverty	$100\% \leq Y < 120\%$	4.7	6.2	37.9	11.8	33.2	5.6	706.3	90.3
No poverty	$Y > 120\%$	10.0	17.2	40.9	79.3	30.9	62.1	309.0	361.0
Poverty (less than 100%)	$Y < 100\%$	85.2	76.6	21.1	9.0	-64.1	-67.6	-75.2	-88.2

Notes: Lone = working-age lone parents (N = 1,157); Sing = working-age single adults without children (N = 791); Y = gross household income adjusted for household size; 100 per cent of the poverty line equals 40 per cent of the median gross household income.

Source: FRS (2002), own calculations.

Poverty reduction by social assistance benefits is greatest among single adults in absolute terms (67.6 percentage points), and second highest (88.2 per cent) after elderly singles in relative terms. The British means-tested benefits have considerably reduced

the percentage of the population in extreme, severe and moderate poverty. The magnitude of the reduction is similar to that for lone parent households in relative terms (over 95 per cent), but much smaller in absolute terms (46 percentage points).

To give a clearer picture of the impact of social assistance benefits across lone parents and single adults in Britain, Table 9.8 shows the average poverty gap and its reduction pre- and post- transfer. Poverty gaps in Britain for non-elderly lone parents have been one of the largest both before and after social assistance transfers, whereas post-transfer average incomes for the group were above the 40 per cent poverty line. Non-elderly single adults without children have far more reduction in their poverty gaps than non-elderly lone parents both in absolute and relative terms, as shown in Table 9.8.

Table 9.8 Average poverty gap and average poverty gap reduction by social assistance transfers for working-age lone parents and single adults without children, 2001/02 (sterling or percentage)

	Lone parents	Single adults
Poverty gap before social assistance benefits	273	236
Poverty gap after social assistance benefits	-57	-186
Absolute poverty gap reduction	-330	-422
Relative poverty gap reduction (%)	-120	-178
N	941	601

Source: FRS (2002), own calculations.

Table 9.9 shows the incidence of poverty amongst recipient households of four and over, and five and over in Britain. The post-benefit incidence of poverty amongst households of five and more is substantial. This group had the second highest poverty rate (30.3

per cent) of all types of households after transfers. Poverty reduction brought about by the means-tested benefits is lowest amongst large households – 58 per cent in absolute terms and 42 percentage points in relative terms. The reduction in poverty for the extreme poverty bracket by the benefits is very great (97 per cent or 53 percentage points), but 24 per cent of the large households still lived in moderate poverty (i.e. between 80 and 100 per cent of 40 per cent of the median income).

Table 9.9 Poverty rates before and after social assistance benefits and reduction through social assistance for large households, 2001/02

Poverty	Poverty status	Poverty status		Absolute poverty		Relative			
		before SA	after SA	reduction		poverty			
	benefits	benefits	benefits	(percentage points)		reduction			
	(percent)	(percent)	(percent)			(percent)			
		4+	5+	4+	5+	4+	5+	4+	5+
Extreme poverty	Y < 60%	52.9	55.0	1.7	1.6	-51.2	-53.4	-96.7	-97.1
Severe poverty	60% ≤ Y < 80%	10.4	9.1	4.2	4.6	-6.2	-4.5	-59.6	-49.5
Moderate poverty	80% ≤ Y < 100%	7.8	8.6	23.9	24.1	16.1	15.5	206.4	180.2
Near poverty	100% ≤ Y < 120%	5.4	6.2	27.6	31.4	22.2	25.2	411.1	406.4
No poverty	Y > 120%	23.5	21.2	42.7	38.3	19.2	17.1	817.0	80.6
Poverty (less than 100%)	Y < 100%	71.1	72.7	29.8	30.3	-41.3	-42.4	-58.1	-58.3

4+ = household of four or more (N = 830); 5+ = households of five or more (N = 373); Y = gross household income adjusted for household size; 100 per cent of the poverty line equals 40 per cent of the median gross household income.

Source: FRS (2002), own calculations.

Table 9.10 shows post-benefit poverty gap for households of five and more is lowest (-

£17) among all household types, which means post-benefit household incomes of the group are just higher than the 40 per cent poverty line. The reduction of poverty gaps for households of five and more is also least in both absolute (£243) and relative (107 per cent) terms.

Table 9.10 Average poverty gap and average poverty gap reduction by social assistance transfers for large households, 2001/02 (sterling or percentage)

	4+	5+
Poverty gap before social assistance benefits	227	226
Poverty gap after social assistance benefits	-21	-17
Absolute poverty gap reduction	-248	-243
Relative poverty gap reduction (%)	-109	-107
N	557	254

Source: FRS (2002), own calculations.

9.4 Summary

Table 9.11 breaks down all results of the effects of the British social assistance benefits shown above into household types used in this chapter. With regard to the 40 per cent poverty line, it can be seen that about 10 per cent of the total population having received social assistance benefits live in poverty after transfer. Non-elderly unemployed households are the most vulnerable group in Britain in the sense that they exhibit the highest poverty rate of all types of households considered both before and after transfers. Large households (i.e. households of five and over) and households headed by non-elderly lone parents are also significant groups in the pre- and post- transfer poor population. The incidence of pre- and post- transfer poverty amongst elderly households

is lower than amongst non-elderly households. Generally, the British social assistance benefits reduce the incidence of poverty among elderly households more than among non-elderly households in relative terms, but they reduce poverty among elderly households less than among non-elderly households in absolute terms. Poverty reduction amongst single adults without children is highest both in absolute and relative terms. The absolute reduction of poverty among elderly singles and couples is lowest but the relative reduction in poverty among the groups is very great.

Table 9.11 Effects of social assistance benefits by household types (percentage or sterling)

	Elderly single	Elderly couple	Unemployed	Employed	Lone parent	Single adult	5+	All recipients
Pre-transfer pov. rate	33.8	26.8	94.8	68.9	85.2	76.6	72.7	53.7
Post-transfer pov. rate	1.1	3.4	32.0	15.7	21.1	9.0	30.3	10.4
Absolute pov. Reduction (percentage points)	-32.7	-23.4	-62.8	-53.2	-64.1	-67.6	-42.4	-43.3
Relative pov. Reduction (%)	-96.7	-87.3	-66.2	-77.2	-75.2	-88.2	-58.3	-80.6
Pre-transfer pov. gap	94	139	303	235	273	236	226	208
Post-transfer pov. gap	-236	-121	-45	-100	-57	-186	-17	-121
Absolute pov. gap reduction	-330	-260	-348	-335	-330	-422	-243	-329
Relative pov. gap reduction (%)	-351	-187	-115	-142	-120	-178	-107	-158
N	1,656	772	329	2,859	1,157	791	373	5,778

In terms of poverty gaps, the post-transfer average incomes of all recipient households are higher than the poverty line of 40 per cent of median. Income position of elderly households is more advantageous than that of non-elderly households. The most favourable income position was reached by elderly singles whose average income

increased to as much as £236 above the poverty line, followed by single adults and elderly couples. The reduction in the poverty gaps for each household type is similar to the picture presented by the head-count measure. The relative impact of the benefits on elderly households is greater than on non-elderly households, but elderly households have less reduction in their poverty gaps in absolute terms. Large households including both elderly and non-elderly households benefit less in poverty gap terms.

9.5 Comparison of the results of the effectiveness of social assistance in Korea and Britain

Compared to Korea, Britain achieved marked success of means-tested social assistance benefits with a high degree of effectiveness, especially among the extreme and the severe poverty brackets. This finding is consistent with Behrendt (2002), Mitchell (1991) and Sainsbury and Morissens (2002), which claimed the British social security benefits were very effective in the lower poverty sphere, but less effective in reducing moderate poverty.

It is shown in Chapter 8 and 9 that there are variations between different household types regarding the incidence and the intensity of poverty before and after transfer. In Korea, elderly households, large households and non-elderly unemployed/inactive households are significant groups in the pre- and post-transfer poor population in head-count terms. Poverty reduction is greatest among the employed both in absolute and relative terms, followed by working-age single adults and lone parents. Poverty rate reductions are lowest in elderly couples and unemployed/economically inactive households both in absolute and relative terms. The post-transfer average incomes of all recipient households are still lower than the poverty line of 40 per cent of median. It is

elderly couples and large households whose poverty gaps are most reduced by the social assistance benefits in absolute terms, even though they are more likely to be poor post-transfer than the other groups.

In Britain, non-elderly unemployed households exhibit the highest poverty rate of all types of households discussed, and large households and households headed by lone parents are also significant groups in the pre- and post-transfer poor population. The incidence of pre- and post-transfer poverty amongst elderly households is lower than amongst non-elderly households. In general, elderly households experience a greater reduction in the incidence of poverty than non-elderly households do in relative terms, but it is quite opposite in absolute terms. Poverty reduction amongst single adults without children is highest both in absolute and relative terms. The absolute reduction of poverty among elderly singles and couples is least but the relative reductions in poverty among the groups are remarkable. The poverty gap measures tell a similar story to the head-count measures, but the biggest contrast is that unlike in Korea, the post-transfer average incomes of all recipient households in Britain are higher than the 40 per cent poverty line.

9.6 Discussion

The evaluation of the effectiveness of the social assistance benefits in Korea on the basis of the NRB data has revealed the receipt of NBLIS benefits is no guarantee for escaping poverty in all types of households considered. In broad terms, the findings drawn from this study are consistent with the previous Korean literature on poverty (Choi, 2002; Hong, 2002; Kim, 2002; Park et al., 2002) in that sense that the level of impact of social transfers in Korea on poverty alleviation is very low. Instead, it is believed that

the private income transfers are more effective in alleviating poverty than social transfers including social assistance benefits, even though the effectiveness of social transfers has improved after the establishment of the NBLs scheme in 2000.

The new social assistance scheme NBLs is designed to protect fundamental human rights and to secure the minimum living standards. The benefit rates for NBLs are to be set so that the total income of each household receiving social assistance benefits – including any earnings and other forms of assistance – reaches the minimum living standards (OECD, 2001a: 72-77). From the results of the study, however, it is evident that the Korean social assistance scheme is not effective enough in alleviating poverty, since many beneficiary households seem to live below the budget-standard based poverty line after social assistance transfer. What can explain the apparent ineffectiveness of social assistance in Korea?

There seems to be probability that gross income of recipient households could be raised up to the level of the budget-standard based poverty line, if in-kind benefits, such as Health Benefit and Educational Benefit provided only for those who want them, are included. How much would the benefits in-kind push up the incomes of the poor? It can be answered from Table 9.12 and 9.13 shown below. Table 9.12 shows expenditure on Health Benefit and on Educational Benefit as a share of total NBLs expenditure represent 48.6 per cent and 3.7 per cent respectively in 2001, compared to that on cash social assistance, Livelihood Benefit and Housing Benefit is 44.7 per cent.

Table 9.13 presents the majority of beneficiaries for the Health Benefit are NBLs recipients. Indeed, 94 per cent of NBLs recipients in 2001 are in receipt of Health Benefit. Of the beneficiaries for the Health Benefit, 89 per cent are NBLs recipients in

Table 9.12 Expenditure on Health and Educational Benefits, 2001-02 (billion won)

	2001	2002
Expenditure on Health Benefits (A)	1,590	1,690
Expenditure on Educational Benefits (B)	120	107
Expenditure on Livelihood and Housing Benefits (C)	1,461	1,443
Total expenditure on NBLs (D)	3,270	3,396
A / D (%)	48.6	49.7
B / D (%)	3.7	3.2
C / D (%)	44.7	42.1

Source: Table 4.6 in Chapter 4.

2001 and 11 per cent are not NBLs recipients such as patriots, veterans, and refugees from North Korea. By contrast, only 11.6 per cent of NBLs beneficiaries are in receipt of the Educational Benefit. From Table 9.12 and 9.13, the extent to which NBLs recipients are lifted up the income scale by the two benefits in-kind can be expressed in cash per person per month. First, the total expenditure on the in-kind benefits is divided by number of recipients for the benefits. Second, the average benefit levels for the in-kind benefits are divided by 12 (months). The average benefit level drawn from the above method for the Health Benefits is ₩88,200⁹² (approximately £78), and that for the Educational Benefit is ₩60,600⁹³ (approximately £54). Thus, it can be said that on average, NBLs recipients having received both Health Benefit and Educational Benefit could benefit ₩148,800 and those in receipt of either the Educational Benefit or Health Benefit could benefit ₩60,600 and ₩88,200 respectively.

⁹² ₩1,058,000 / 12 months = 88,200

⁹³ ₩727,000 / 12 months = 60,600

Considering that the average poverty gap for all NBLS recipients after social assistance transfers was ₩181,000 (Table 8.2), the poverty gap for beneficiaries having received both the Educational Benefit and Health Benefit could be reduced by between ₩32,200 (approximately £28) and ₩120,400 (£106). This is, in fact, a much smaller gap to fill, compared to the poverty gap before the in-kind benefits. However, the in-kind benefits are not provided for all recipient households but only for those who need them, and even after the benefits in-kind, their income scale still remain under the poverty line.

Table 9.13 Number of recipients of Health and Educational Benefits, 2001-02 (in thousands, rounded)

	2001	2002
Total beneficiaries for Health Benefits	1,502	1,420
NBLS beneficiaries in receipt of Health Benefits (A)	1,335	1,253
Beneficiaries for Educational Benefits (B)	165	157
Total beneficiaries for NBLS (C)	1,420	1,351
A / C (%)	94.0	92.7
B / C (%)	11.6	11.6

Source: MOHW (2004).

There is a further substantial factor that may account for this ineffective alleviation of poverty. The Korean social assistance scheme has adopted a unique and complicated 'cash benefit standard' which is calculated and set on the basis of the minimum living standard (Kim et al., 2004). The cash benefit standards are the cash benefit rates. In other words, they are the maximum amount of cash benefits in total that recipient households can receive. The cash benefit standards are currently calculated by taking

the minimum living standards and subtracting the minimum costs of Health Benefit and Educational Benefit, and other financial support such as TV licence payments and local council tax (MOHW, 2004: 99-100). The calculation of the cash benefit standard is summarised in Figure 9.1.

Figure 9.1 Calculation of the cash benefit standards

Cash Benefit Standards = minimum living standards - minimum costs of Health Benefit and Educational Benefit - other forms of assistance (i.e. TV licence and local tax)

Table 9.14 presents the minimum living standards and the cash benefit standards by household size. The amount of cash benefits that each household can receive is calculated by taking the minimum living standards and subtracting total income of each household, the minimum costs of the Health Benefit and the Educational Benefit, and other forms of assistance. For example, assuming that income of a household of four is zero, the household can receive ₩842,000 at the most by the cash benefit standard for a household of four, rather than ₩956,000 by the minimum living standard for the household, since the in-kind benefits such as the minimum cost of the Health Benefit (₩45,000), the minimum cost of the Educational Benefit (₩45,000) and other financial support (₩24,000) are also deducted.

The minimum living standards, which are used for the NBLs benefit scales, are made up of the cash benefit standards, in-kind benefits and other financial support. They thus include both cash benefits⁹⁴ and in-kind benefits⁹⁵, and the NBLs benefits are designed

⁹⁴ These include Livelihood Benefit and Housing Benefit.

⁹⁵ These include Health Benefit and Educational Benefit.

to guarantee the minimum living standards. When the cash benefit standards are calculated, however, the minimum costs of the in-kind benefits are also taken away, as shown in Figure 9.1, although, in practice, some of the benefits in-kind are not provided to recipient households. For example, expenses for some medicines and medical supplies and those for schooling (such as text books and stationary) are deducted from the minimum costs of the benefits because they are included in the list of items for the Health and the Educational Benefits. Yet, although part or all of the expenses are apparently not delivered to recipients, they are designed to be deducted. Furthermore, according to the NRB (2001), only 75 per cent of the benefits in-kind are provided for people in need. Thus the cash benefit standards for the NBLS benefits have been criticized, and it is

Table 9.14 Minimum living standards and cash benefit standards, 2001 (thousand won)

Household size	MLS (A)	CBS (B)	Minimum cost of Health Benefit (C)	Minimum cost of Educational Benefit (D)	Other forms of assistance (E)
1	334	286	16	16	16
2	553	482	26	26	19
3	760	667	36	35	22
4	956	842	45	45	24
5	1,087	959	52	51	26
6	1,227	1,083	58	57	28

Notes:

1. Other forms of assistance (E) = council tax + TV licence.
2. Educational Benefit (D) for one-person household is provided for household headed by children
3. Minimum living standards (A) = B + C + D + E
4. Cash benefit standards (B) = A - C - D - E

Source: MOHW (2002c); NRB (2001).

argued that the expenses for certain items which are, in practice, not provided to recipients need to be included in the cash benefit standards (Kim et al., 2004: 36-38; NRB, 2001; Son, 2001: 12).

For this reason, the current cash benefit standard seems to be set at a lower level, and consequently, the current benefit level for NBLs also appears to be set lower than the minimum living standard. The cash benefit standards partly contribute to explaining why the benefit level of the NBLs benefits is lower than the minimum living standards and the Korean social assistance scheme is not effective in alleviating poverty.

Chapter 10 Conclusion

This thesis has focused on the new general social assistance scheme in Korea, which replaced previous categorical assistance. It sought to explore whether or not there has been a regime shift within Korean social assistance and to locate Korea within social assistance regimes. Furthermore this study compared the features and determinants of poverty between recipients and non-recipients, and assessed the effectiveness of Korean social assistance on poverty reduction in comparison with that of British social assistance. This study combined qualitative information on the institutional frameworks and quantitative methods to gain a comprehensive picture of social assistance in Korea.

10.1 Mending the holes in the last-resort social safety net in Korea

Despite the caseload numbers of cash benefits increased after the implementation of the general assistance scheme, there is little expansion in the total number of beneficiaries. In order to target benefits at the poorest group of the population, the Korean social assistance scheme uses a much wider kin obligation, strict means-tests, the lack of income and assets disregards and tough nationality/residence rules. This kind of strategy tends to deter many justified claims (Behrendt, 2002: 206). A large proportion of people on low-income are excluded from the Korean social assistance benefits, possibly some million people seem to remain in poverty because of this strategy. Given the Korea's lowest spending on social protection amongst the OECD area and the limited coverage of social insurance and the unemployment benefit, there is a need for more generous eligibility and entitlement rules and both expenditure on social assistance and the number of claimants should increase considerably.

Social assistance is organised and regulated nationally and there is no geographical variation. The benefit rates are set on the basis of the minimum living standards for families living in medium and small size cities and they do not reflect the needs of claimants of different regions. Thus the standard benefit rates seem to be unfavourable to low-income households living in big cities who need more living expenses than those living in smaller cities or rural areas. They vary by household size but do not reflect the needs of special groups such as a household of older people, the disabled, or a lone parent etc. The benefit rates therefore need to vary by family type and region in the Korean context.

As noted above, a large number of people are excluded from Korean social assistance. The features of recipients and non-recipients were thus compared in this thesis to explore whether there are similarities or differences between the two groups and to seek adequate policies for each group. The empirical results presented in this study show that there are significant differences in the behavioural characteristics of labour participation between the two groups. Low-income people who are excluded from social assistance tend to have higher rates of employment, better health and a stronger desire to work than recipients. The analysis of the determinants of poverty reveals that labour market detachment has a strong impact on the risk of poverty for both low-income groups. In other words, low-income people who are outside the labour force are more likely to be in poverty. These findings suggest those who are employable and have a desire to work need to be more closely and systematically linked with an active labour market policy to help them escape from poverty and to promote autonomy and reintegration. While the poverty of recipients is most strongly influenced by living alone and labour market detachment. This implies, as in most OECD countries (Adema et al., 2003: 46), setting social assistance payment rates for single (and possibly couple) families without

children needs to give such clients stronger financial incentives to work, while the financial incentive structure for families with children tends to be weaker.

Currently the main clients of the Self-Reliance scheme are unemployed people with low-income. Spending on the scheme, however, consisted of only four per cent of total NBLS expenditure in 2003 and the proportion of NBLS recipients involved in it remained at 40,000 persons since 2001 – 13 per cent of all employable recipients (SSWI, 2005: 56; see also Chapter 4). While the number of non-recipient participants in the scheme increased steadily from 10,000 persons in 2001 to 20,000 in 2005. Moreover a large number of recipients and non-recipients who are in minor employment, including part-time workers and wage earners in unstable jobs such as temporary or daily workers, are excluded from the scheme. Thus, in practice, the role of the Self-Reliance scheme is limited to a work-for-benefit measure for a small proportion of unemployed people. To improve employment re-integration for both unemployed and employed people with low-income, the coverage and expenditure on the scheme should increase and activation programmes need to be provided differently in relation to the characteristics of low-income people.

The empirical evidence shows that with regard to the reasons for debts, the main reason was living cost, followed by fees for medical treatment and housing cost, while there was little difference in the reasons between recipients and non-recipients. The fact that living cost is the most important reason for debts for recipient households implies the social assistance benefit levels in Korea do not seem to secure an adequate standard of living for all families. As argued in Chapter 6, Korea has one of the lowest benefit levels amongst the nine OECD countries considered, both in absolute and relative terms.

In addition to the low level of the social assistance benefits, this study assessed how the Korean benefits are effective in reducing poverty amongst recipients. The assessment of recipients' benefit packages reveals that the receipt of social assistance benefits is no guarantee for protecting recipients from poverty in both Korea and Britain. The means-tested benefits in Korea are not generous enough to push claimants over the poverty line. The benefits leave many recipients at an income level below the poverty line of 40 per cent of median income after social assistance transfer and the post-transfer average incomes of all recipient households are lower than the poverty line. Therefore the social assistance benefits are not effective enough in alleviating poverty. These findings confirm earlier accounts of poverty research and the redistributive impact of the Korean welfare state claimed that the extent of impact of social transfers including the social security benefits on poverty alleviation is low, instead, private income transfers are more effective in mitigating poverty (Choi, 2002; Hong, 2002; Kim, 2002; Park et al., 2002). The effectiveness of the Korean social assistance benefits is improved to some extent when in-kind benefits such as Health Benefit and Educational Benefit are included. However these benefits are not provided for all recipient households but only for those who need them. The study argued one key factor that may account for the cause of the ineffectiveness of the Korean social assistance benefits is the existence of the unique and complicated cash benefit standards. Poverty amongst the recipients can effectively be alleviated when the level of the cash benefit standards is generous enough to meet the social assistance benefit levels.

In contrast, it is also found in this study that, compared with Korea, Britain achieved marked success of means-tested social assistance benefits with a high degree of effectiveness, especially among the extreme and the severe poverty brackets. The post-transfer average incomes of all recipient households in Britain are above the 40 per cent

poverty line, although not all households receive a sufficient level of benefits to pass the poverty line. When the benefit rates are compared to the net income of the average production worker produced by the OECD, in fact, both Korea and Britain belong to the countries which have the lowest levels of benefits amongst the countries considered in Chapter 6. While the empirical evidence presented in this thesis shows the British means-tested benefits are very effective in reducing harsh poverty, but less effective in mitigating moderate poverty. These findings confirm earlier insights into poverty rates and the redistributive impact of the British welfare state (Behrendt, 2002; Mitchell, 1991; Sainsbury and Morissens, 2002).

10.2 Has there been a regime shift within Korean social assistance?

Foregoing chapters sought to answer this question. An overall judgement based on what comparable data are available is attempted in Table 10.1. The indicators selected are based on the three dimensions used for the country groupings: extent and salience; eligibility and entitlement rules including work-testing; and generosity.

The lists of change and no/little change indicators are equal in length. There are a number of indicators of change or improvement. Categorical assistance that had had a Poor Law tradition for about forty years was replaced by general assistance NBLIS in 2000. As a measure to stabilize housing for people with low-income, Housing Benefit has newly been established in the NBLIS scheme. After the social assistance reform, spending on social assistance and the number of beneficiaries of cash benefits increased sharply. With regard to the adjustment mechanism, the minimum living standards are surveyed every three years and the benefit rates based on the minimum standards are publicised every year under current general assistance, while it had not legally been

required to announce the results of the calculation of the minimum living standards and the benefit rates under previous categorical assistance. To prevent long-term dependency and to enhance financial incentives to work, claimants of NBLS have to be available for work and actively seeking it, and working age recipients capable of work are required to participate in the Self-Reliance scheme under the NBLS scheme.

All the generosity indicators have improved. Under current general assistance, the benefit levels are set so that the total income of each household receiving social assistance benefits reaches the customarily accepted official poverty line, i.e. the minimum living standards, while the benefit levels had been set at a maximum of 60 per cent of the minimum living standards under the previous scheme. Moreover, the average replacement rates (the proportion of net income in-work that would be replaced by social assistance) for the current assistance scheme have considerably improved compared with the previous scheme, although Korea has relatively low replacement rates, compared with other OECD countries.

On the other hand, there are a large number of indicators of no or little change. There is little change in the total number of beneficiaries, while the number of cash benefits rose after the implementation of general social assistance. Compared to previous categorical assistance, there are slight changes in the family support obligations, income and assets-tests and nationality/residence rules, but they are still relatively strict. There is little change in the regulatory and administrative framework. Social assistance is organised and regulated nationally, but the benefit rates do not vary by family type and region. On balance, this study's judgement is that there was a shift in the form of Korean social assistance from categorical to general assistance and much has changed after the institutional change. However, it is difficult to conclude that there has been an evident

regime shift, since there are still far many indicators, which have not or little changed. Future reforms should focus on improving these unchanged indicators and mending the holes in the last resort social safety net.

Table 10.1 Assessment of trends in previous and current social assistance in Korea

Change	No or little change
• Type of assistance (demographic conditions)	• Total beneficiaries as % of total population
• Types of benefits provided	• Regulatory./administrative framework
• Expenditure as % of total social expenditure	• Nationality/residence
• Cash assistance beneficiaries	• Benefit/resource unit
• Adjustment mechanism	• Income-test
• Work-testing	• Assets-test
• Benefit levels (absolute and relative terms)	

10.3 Locating Korea within social assistance regimes

This study argued that though as a form of social security, means-tested social assistance has acquired an increasing importance in the comparative literature on welfare states, relatively little attention has been paid to that in East Asia. This thesis draws on a cross-national study of social assistance schemes in nine OECD countries, which has attempted to fill some of the gaps in comparative poverty research in East Asia. Korea was compared with eight OECD countries representing different welfare state regimes and social assistance regimes to locate the study within social assistance regimes and to see how far Korea constitutes a unique case or how far differs from other countries. A broad variety of sources, including national and comparative studies on social assistance schemes and welfare states in general, and national and international data and

statistical sources were used to identify social assistance regimes. The nine countries were compared in terms of: social assistance expenditure; conditions of eligibility and entitlement; benefit levels and generosity.

A number of key indicators were selected from the above three dimensions and a grouping of different countries were attempted. On this basis, wide differences and similarities were found between the countries considered, and the following seven types of social assistance regimes were identified: Sweden and Finland; the Netherlands; Britain and Ireland; Germany; Portugal; Japan; Korea (these were discussed in more detail in Chapter 6). This study found that the Korean social assistance scheme contains elements of both the British and Japanese models. The Korean scheme resembles the British model in that the role of social assistance is large, benefit levels are relatively low and benefit rates are uniform throughout the country. On the other hand it shares with the Japanese model tough nationality/residence rules, relatively stringent income and assets-tests and wider family support obligations (even a wider concept than Germany and Portugal). In addition to the elements of both models, the country has strict work-tests. Thus the Korean model can be characterised by an extensive national model with strict eligibility and entitlement rules and relatively low benefit levels.

Despite the relatively large role of Korean social assistance within the social security system with regard to expenditure, the Korean scheme can be considered as rather marginal amongst the eight countries included in Chapter 4, considering the number of social assistance recipients as a proportion of the total population. This shows the characteristics of the Korean welfare regime: spending relatively less on social protection; largely depending on social insurance schemes for which there is relatively small commitment from the State; placing the burden on the corporate sector and family.

Thus given the weakening of family tie and enterprise welfare benefits, as well as the limited coverage of the social insurance schemes and unemployment benefits, there is a need for more comprehensive and extensive social assistance as a last-resort safety net.

With regard to the claimant numbers, Korea comes sixth out of the eight countries in Chapter 4, while the UK and the Netherlands stand out. As mentioned in earlier chapters, the recipient populations were not used as an indicator of the extent and salience because the figures were not wholly comparable.⁹⁶

10.4 Implications for comparative studies on social assistance

If we all recognize that one of the primary aims of modern welfare states is alleviation of poverty, the role of social assistance is most important amongst all types of financial resources since it is an ultimate safety net in society. When other incomes, such as income from earnings or capital, social insurance, tax benefits and other social security benefits except social assistance, are lacking, social assistance steps in as a final safety net. Therefore if social assistance fails to protect people from poverty, there is no other

⁹⁶ In addition, Portugal was excluded from the comparison of the extent or salience of social assistance, since no data or statistics on spending on general assistance or the recipient population in Portugal were available, except the information from Eardley et al. (1996a; 1996b) resting on 1992 data, which is too old for this study. If the comparable data on the recipient populations and the data on Portugal were available, the Portuguese scheme might present a different picture from the Portuguese model suggested in the study.

filter to hold back and they will fall into poverty. For these reasons, as a form of social security, means-tested social assistance is growing in importance in nearly all industrialised countries (Behrendt, 2002; Eardley et al, 1996a; Kuivalainen, 2004).

This study has found that given the Korea's low level of spending on social protection, the limited coverage of social insurance and the unemployment benefits, and the weakening of family support and enterprise welfare benefits (which have traditionally been important providers of social benefits) in the Korean context, there is a need for a more extensive social assistance as a last resort both in terms of expenditure and the number of claimants, with a narrow kin obligation, less strict means-tests, more generous benefit levels and a higher degree of effectiveness on the poverty alleviation. External factors such as focusing on labour market integration measures for social assistance recipients, budgetary constraints and political acceptance of benefit support have contributed to the patterns and trends in the extent and salience of social assistance in Korea and to the tightening of conditions of eligibility and entitlement.

The aim of this study was to contribute to enriching existing comparative knowledge on social assistance and our understanding of East Asian social policy. The analysis of social assistance in Korea in comparative perspectives, combining qualitative information on the institutional frameworks and quantitative methods, enabled us to gain a comprehensive and comparative picture of Korean social assistance. First, by comparing the previous and current assistance schemes, it is possible to answer whether there has been a regime shift within Korean social assistance. Second, the Korean scheme has been compared with social assistance schemes (mainly general assistance) in eight countries representing different welfare state regimes and social assistance regimes. In previous comparative studies on social assistance (Bradshaw and Finch,

2002; Eardley et al., 1996a; Gough et al., 1997), Japan was the only representative of the Pacific Rim/Confucian model. By including both Korea and Japan, this study presents various aspects and characteristics of East Asian and European social assistance regimes. As a consequence, it is possible to create a new typology of social assistance regimes, which is mainly consonant with previous efforts, but in some respects cuts across them. Third, the effectiveness of Korean social assistance in reducing poverty has been assessed by family size and type and it was compared with British means-tested social assistance, using micro-data. Finally, the comparisons of the characteristics and determinants of poverty between recipients and non-recipients enabled us to explore whether there are differences or similarities between the two groups with low-income and to seek adequate anti-poverty measures for both.

The lack of cross-national comparable data is crucial for comparative research on poverty and social assistance. In particular, there are hardly available data for comparative social assistance research on East and South-east Asia. Social Expenditure Database (SOCX) from the OECD is the only exception. It provides information on social assistance expenditure for Korea and Japan, but does not offer detailed information on general or categorical assistance for each country. Luxembourg Income Study (LIS) datasets provide quantitative data on income for Taiwan but does not offer information on other Asian countries. In fact, a lot of efforts have been put into the harmonisation of official statistics and building-up comparative database on income at the European and OECD level. However, relatively little efforts have been made at the East and South-east Asian level. The lack of comparable information, both quantitative and qualitative data, on this region is one of the main reasons why the majority of the Asian countries have been excluded from comparative research on poverty and social assistance. This is a huge blot for comparative social research on this area at the

international level as well as the Asian level. Future reforms should be made with a view to enhancing cross-national comparability of social research and survey data at both the Asian and international level. The inclusion of the East and South-east Asian countries could contribute to presenting more various aspects and features of social assistance schemes and creating a new typology of social assistance regimes. Moreover, identifying Asian social assistance regimes would be also possible.

The results of the benefit levels and the effectiveness of Korean social assistance on the poverty reduction and the comparison of recipients and non-recipients, which is presented in this study, are based on 2001 – only after a year of the implementation of the new general assistance in Korea. The micro-dataset used in this study was the only one available at the time of starting this research for assessing the performance of the Korean scheme. Now there are some more improved data available in terms of the sampling and interviewing process to cover lower income strata (including social assistance recipients and non recipients) more completely. A slightly different picture might be given if analysis is done using the more recent income data.

In the Korean context, longitudinal analyses are lacking in the area of research on poverty and social assistance because of the lack of data and statistics available. Static information does not allow an adequate assessment of the efficacy or effectiveness of policies (Saraceno, 2002: 173), while it, of course, provides useful information. By contrast, dynamic research reveals a degree of mobility in and out of policies (Behrendt, 2002: 208). Thus to overcome the limits of static analyses and to understand the dynamic patterns of social assistance receipt and poverty, longitudinal analyses are vital, and doing so, social research should devote time and attention to building-up quantitative longitudinal data.

Appendices

Appendix A Purchasing power parities and exchange rates

Table A.1 Exchange rates and purchasing power parities, July 2001

Country	Currency	Exchange rates to the USD	Purchasing power parities USD=1	Purchasing power parities as % exchange rates	Purchasing power parities GBP=1
Finland	FIM	7.04	5.99	85	9.23
Germany	DM	2.32	1.85	80	2.85
Ireland	IEP	0.93	0.751	81	1.16
Japan	JPY	124.64	150	120	231.12
Korea	KRW	1290.99	761	59	1219.55
Netherlands	NLG	2.61	2.06	79	3.17
Portugal	PTE	237.30	132	56	203.39
Sweden	SEK	10.88	9.48	87	14.61
United Kingdom	GBP	0.71	0.649	91	1

Source: OECD (2001c and 2006).

Appendix B Structure of the social assistance package

Table B.1 Model Families Matrix, July 2001

Country: Korea

Case: No earnings receiving social assistance in national currency (KRW)

	Single	Couple	LP+1	LP+2	Couple+1	Couple+2	Couple+3
1. Social assistance	286000	482000	498300	683300	667000	842000	959000
2. Income tax	0	0	0	0	0	0	0
3. Employee social security contributions	0	0	0	0	0	0	0
4. Income related child benefit			16300	16300	0	0	0
5. Non income related child benefit			0	0	0	0	0
6. Gross rent (very unlikely!)	340470	340470	340470	340470	340470	340470	340470
7. Net rent	-340470	-340470	-340470	-340470	-340470	-340470	-340470
8. Gross local tax	0	0	0	0	0	0	0
9. Net local tax	0	0	0	0	0	0	0
10. Childcare costs							
11. School costs/benefits	0	0	34670	69340	34670	69340	104010
12. Health costs	0	0	0	0	0	0	0
13. Guaranteed child support							
14. Other	0	0	0	0	0	0	0
net disposable income after taxes and benefits	286000	482000	498300	683300	667000	842000	959000
ndi after housing	-54470	141530	157830	342830	326530	501530	618530
ndi after services	286000	482000	532970	752640	701670	911340	1063010
net disposable income after all	-54470	141530	192500	412170	361200	570870	722540

Note:

1. The levels of social assistance indicate monthly cash benefit including costs of living and housing assistance.

2. The levels of health costs are based on Class 1 beneficiaries (unable to work), who have free access to health services. About half of recipients on social assistance in 2001 were Class 1 beneficiaries. Class 2 beneficiaries having ability to work are charged ₩1500 (around £1.2) for one visit to a general practitioner and one prescription for a standard anti-biotic per person per year.

3. Using the OECD purchasing power parities for 2001, £1 = ₩1,219.5.

Source: NRB (2001); OECD (2001b), own calculations.

Table B.2 Net rent as proportion of gross rent for families on social assistance (%), 2001

	Single	Couple	Lone parent +1child	Lone parent +2children	Couple +1child	Couple +2children	Couple +3children
Fin	-50	-27	-27	-20	-20	-20	-20
Swe	-100	-100	-54	-45	-54	-45	-38
Ger	0	0	0	0	0	0	0
NL	-46	-56	-53	-49	-49	-49	-49
UK	0	0	0	0	0	0	0
Ire	-18	-30	-46	-56	-36	-42	-49
Por	-100	-100	-100	-100	-100	-100	-100
Jap	-100	-100	-100	-100	-100	-100	-100
Kor	-100	-100	-100	-100	-100	-100	-100

Source: Bradshaw and Finch (2002); OECD (2001b), own calculations.

Table B.3 Health costs and benefits on social assistance (£ PPPs), 2001

	Single	Couple	Lone parent	Lone parent	Couple	Couple	Couple
			+1child	+2children	+1child	+2children	+3children
Fin	0	0	0	0	0	0	0
Swe	-6	-13	-6	-6	-13	-13	-13
Ger	0	0	0	0	0	0	0
NL	-22	-45	-22	-22	-45	-45	-45
UK	0	0	0	0	0	0	0
Ire	0	0	0	0	0	0	0
Por	0	0	0	1	1	1	1
Jap	0	0	0	0	0	0	0
Kor	0	0	0	0	0	0	0

Source: Bradshaw and Finch (2002); OECD (2001b), own calculations.

Table B.4 School costs and benefits on social assistance (£ PPPs), 2001

	Lone parent +1child	Lone parent +2children	Couple +1child	Couple +2children	Couple +3children
Fin	43	87	43	87	130
Swe	21	42	21	42	63
Ger	0	0	0	0	0
NL	-32	-51	-32	-51	-66
UK	21	45	21	45	45
Ire	-11	-22	-6	-12	-22
Por	-2	-2	-2	-2	-7
Jap	-23	-68	-23	-68	-84
Kor	28	57	28	57	85

Source: Bradshaw and Finch (2002); OECD (2001b), own calculations.

Appendix C NRB data

The NRB dataset covers the following topics:

- Household composition
- Housing (including the conditions of accommodation)
- Finance, debts and savings
- Behavioural characteristics with regard to labour participation
- Education
- Health (including disability) and the usage of health services
- A broad range of policy issues of the NBLIS scheme (including eligibility criteria, income and assets test and work incentives etc)

The questionnaire is divided into six sections:

1. General matters of individual household members
2. Common questions (asked all (five) categories of households)
 - 2.1 Actual conditions of dwelling, education, and health
 - 2.2 Incomes and expenditure
 - 2.3 Debts and Savings
 - 2.4 NBLIS scheme
3. Recipient households of NBLIS benefits (asked the following three categories of households having: general recipients, conditional recipients, and recipients exempted from the self-reliance programmes)
4. Conditional recipient households and households placed just above the recipient households (asked the following three categories of households having: conditional recipients, low income people who failed to be entitled to NBLIS benefits, and participants in the self-reliance programmes)
5. Conditional recipient households (questions asked conditional recipient households only)
6. Households placed just above the recipient households (questions asked the two categories of households having: low income people who failed to be entitled to NBLIS benefits and participants in the self-reliance programmes)

List of variables (and label) on the working files are as follows:

1. General matters of individual household members

ID Household identification number

A8 Number of persons in household

A9 Household type

A10 Whether participating in services for promoting self-reliance such as vocational training or special work schemes

A11 Person number

A12 Relationship to householder

A13 Sex

A14 Age (as of July 2001)

A16 Highest academic qualification

A18 Marital Status

A19 Whether living with householder

A20 Previous occupation

A22 Current occupation

A24 Current main economic activity

A26 Whether having a disability (degree of disability)

A27 Whether having a chronic disease

A28 Are you a recipient of the previous social assistance scheme (Livelihood Protection)

A 29 Type of respondent (choosing one of the above five categories of recipients and non-recipients)

- Same questions as A11-A28 for second household member: A29-46
- Same questions as A11-A28 for third household member: A47-A64
- Same questions as A11-A28 for fourth household member: A65-A82
- Same questions as A11-A28 for fifth household member: A83-A100
- Same questions as A11-A28 for sixth household member: A101-A118

2. Common questions (asked all five categories of households)

2.1 Actual conditions of dwelling, education, and health

B6 Housing tenure

B7 If you are living with a Housing Association (HA) or a Local Authority (LA) rented house, when have you moved into the rented house

B11 If you are not living with a Housing Association or a Local Authority rented house, do you intent to move into a HA or LA house in the future

B12 Current price of owned house as his/her home

B24 How much do you pay the rent monthly

B29 Net monthly housing costs for summer time

B32 Net monthly housing costs for winter time

B35 Number of children in full-time education (until high or secondary school) in household

B36 Fee for private education, except benefits from government

B39 Fee for medical treatment including the charge for medicine for past six months, except contributions to the National Health Insurance

B42 Are there any household members who could not see a doctor or gave up medical treatment for the last three months, despite the member absolutely needed doctor's help

If yes, what were the reasons for that (choose two main reasons of the reasons listed in B43, B44)

B43 First reason

B44 Second reason

B46 Whether having a home computer connected with Internet

2.2 Incomes and expenditure

B47 Monthly household gross income for last three months

B51 Monthly household gross expenditure for last three months

B54 Monthly minimum cost of living for minimum living

B57 Monthly household earned income for past three months

B60 Whether household income for the last six months has changed compared with the latter half of the last year

B61 Whether receiving (or received in the past) any financial support (either in cash or in kind) from parents, children and relatives, or neighbours, and friends, or government (including Local Authorities), or voluntary organisations etc.

B62 Regarding B61, if you are receiving (or received) any cash support, how much is it (B65, B68, B71)

B65 Benefits from government (inc. LA)

B68 Financial support from voluntary organisations (inc. religious groups, NGOs)

B71 Financial support from family, relatives

2.3 Debts and Savings

B74 Whether having debts

If yes (B75, B79), how much is it (B75)

B79 Reason for debts (choose only one)

B81-84 All savings in accounts

B81 Fourth digit (in thousands won)

B82 Third digit (in hundreds won)

B83 Second digit

B84 First digit

B85 Total assets

B90 Whether having a car

B91 How long have you possessed a car

B93 Main purpose (use) of a car owned

2.4 NBLs scheme

B94 Whether thinking the new social assistance scheme, NBLs has improved compared to the previous LP programme

B95 If you applied for entitlement to NBLs, how did you know about the NBLs benefits

B96 Which benefit do you need most (choose one out of the seven NBLs benefits)

B97 Number of household members capable of work

B98 Number of household members who are unemployed at the moment but want to work

B99 Is there someone disabled or who is in poor health that may be difficult to move

If yes, who does care for the person(s) (B100)

B101 Experience of discontinuance of working in order to care for the person(s)

B102 Whether participating in the self-reliance programme or wanting to participate in it in the future

3. Recipient households of NBLS benefits (asked the following three categories of households having - general recipients, conditional recipients, and recipients exempted from the self-reliance programmes)

C6 Whether benefits provided from government (inc. LA) are helpful to maintain minimum living standards

C7 Difference between the benefits paid for NBLS and previous LP

C8 Difference between the payments for NBLS in June and July 2001

If yes, who do you think it has changed in your opinion (C9)

Regarding C8, if your benefits have been reduced how have you reacted to the reduction (C10)

C12 Do you think how exactly your local authority (or welfare office) knows about your income and assets

C13 Difference between the income and assets calculated by social welfare officer from the local authority and the real income and assets of claimant

C15 Do you know your benefits would be reduced if your income increased

C16 Whether would actively participate in the self-reliance programmes even if earned income increased and the benefits for NBLS decreased as much as the income rose

C17 Have you ever consulted a social welfare officer in the local authority about the entitlement to the NBLS benefits or any other matter

If yes, it was useful to you (C18)

Regarding C17, if no, what is the reason (C19)

C20 Do you think you need a consultation (or advice) with voluntary organisations or other NGOs in terms of the NBLS benefits

4. Conditional recipient households and households placed just above the recipient households (asked the following three categories of households having - conditional recipients, low income people who failed to be entitled to NBLS benefits, and participants in the self-reliance programmes)

C21 Whether satisfied with the current selection criteria for becoming a self-reliance participant

C22 If you are not satisfied with the criteria, what is the reason for that

C23 Things need to improve for the current self-reliance programmes

C24 Whether having tried seeking a job for past six months

C25 Do you want to work if any job is offered

Regarding C24, if you have not tried seeking a job for the past six months, what is the reason for that (C26)

C27 If you are offered a job which is unpopular, such as dirty, dangerous or difficult, do you want to accept it

Regarding C27, condition of getting the job above (C28)

For a participant of the self-reliance programme (C29-36)

C29 Institution or agency which recommended to participate in the self-reliance programmes

C30 The programme a respondent is taking part in

C32 Programme detail a respondent is taking part in

C34 Whether satisfied with the current self-reliance programme provided

C35 If unsatisfied with the programme, what is the reason

C36 Whether the services for promoting self-support is useful for the participant's self-reliance

For a respondent who is not taking part in the self-reliance programme (C37-44)

C37 Reason for not participating in the programme

C38 A programme most wanting to participate in

Programme detail most wanting to participate in (choose two of the programmes listed, C40, 42)

C40 First programme

C42 Second programme

C44 Most needed for self-reliance of the respondent's family

5. Conditional recipient households (questions asked conditional recipient households only. In case of participating in the self-reliance programmes, answered only by the participants, not by other household members)

C45 Type of conditional recipient (available for work or not)

C46 Recipient's ability to work

C47 If your working ability is not reached to normal person, what is the reason

C48 Whether taking part in the self-reliance programme

If yes, how long have you done it (C49)

How many days a month (C51)

6. Households placed just above the recipient households (questions asked the two categories of households having - low income people who failed to be entitled to NBLIS benefits and participants in the self-reliance programmes)

C53 Whether having knowledge of NBLIS

C54 Whether having ever consulted a social welfare official about becoming a NBLIS recipient or any other matter

Regarding C54, if not, what is the reason you did not try (C55)

If yes, have you drawn up an application form or other documents related (C56)

For households who failed to be entitled to NBLIS benefits (C57-80)

C57 When did you fail to be entitled

C58 The way the local authority has let you know the result

C59 Whether knowing the exact reason rejected

C60 If yes, the reason failed to be entitled

C61 Number of persons in household at the time of means-test

C62 If disqualified due to **Income** criteria, how much was the income calculated at the time of means-test

C65 Whether satisfied with the income calculated by the social welfare officer

C66 If you failed to be entitled due to **Asset** criteria, for which asset did you be disqualified

C67 Whether satisfied with the assets calculated

If you were disqualified due to criterion of existence of those legally **responsible to support** you, how many supporters have you got (C68) and how much money do you receive from them (C69)

C72 Whether satisfied with the disqualification due to the criteria of existence of supporters

C73 Is your supporter(s) is actually trying to give you financial support

C74 The reason not supported by the supporter(s)

C75 How do you feel that you have disqualified from NBLIS but others around you have been qualified

C76 Whether having difficulty with living after the failure of the entitlement

C77 How have you resolved the problem of living after the disqualification of entitlement

C79 Reaction to the failure in the entitlement

C80 If you have not actively appealed against administrative decision, what it the

reason

C81 Whether still needing the NBLS benefits because of difficulty in living

C82 Experience of delinquency of paying the National Health Insurance contribution

C83 How did you do when you had failed to pay it or been excluded from the NHI coverage

C84 Premium of the NHI (a month)

C88 Is the NHI premium a burden for living

C89 Experience of default of payment for National Pension Scheme

C90 Premium of the NPS (a month)

C94 Is the NPS premium a burden for living

C95 Whether covered by Industrial Accident Compensation Insurance

C96 Whether covered by Employment Insurance Programme

Num1 Region 1 (1 big city, 2 middle and small town, 3 rural areas)

Num 2 Region 2 (1 Seoul, 2 Gyeonggi-do, 3.....)

Appendix D Sensitivity of results for poverty lines 50 and 60 per cent of median

Table D.1 Poverty rates and poverty reduction figures for the poverty lines of 50 and 60 per cent of median (as a percentage of all social assistance recipient households, 2001/02)

Poverty	Poverty status	Poverty status		Absolute poverty		Relative poverty			
		before SA benefits (percent)	after SA benefits (percent)	reduction (percentage points)	reduction (percent)				
		50%	60%	50%	60%	50%	60%		
Extreme poverty	$Y < 60\%$	38.4	46.6	2.5	5.6	-35.9	-41.0	-93.5	-87.9
Severe poverty	$60\% \leq Y < 80\%$	15.3	19.7	8.0	21.3	-7.3	1.6	-47.7	8.1
Moderate poverty	$80\% \leq Y < 100\%$	14.9	13.2	20.4	22.2	5.5	9.0	36.9	68.2
Near poverty	$100\% \leq Y < 120\%$	10.5	7.9	17.5	19.4	7.0	11.5	66.6	145.6
No poverty	$Y > 120\%$	20.8	12.6	51.6	31.6	30.8	19.0	148.1	150.8
Poverty (less than 100%)	$Y < 100\%$	68.6	79.5	30.9	49.1	-37.7	-30.4	-54.9	-38.2

Notes: 50% = poverty line of 50 per cent of median (N = 5,778); 60% = poverty line of 60 per cent of median (N = 5,778); Y = gross household income adjusted for household size; 100% of the poverty line equal to 50 or 60 per cent of the median gross household income.

Source: FRS (2002), own calculations.

Table D.2 Average poverty gap and average poverty gap reduction by social assistance transfers for households who were poor before having received any social assistance benefits (based on poverty lines 50 and 60 per cent of median), 2001/02 (US dollars or percentage)

	50%	60%
Poverty gap before social assistance benefits	157	193
Poverty gap after social assistance benefits	-29	18
Absolute poverty gap reduction	-186	-175
Relative poverty gap reduction (%)	-118	-91
N	3,859	4,516

Note: Using the OECD purchasing power parities for 2001, US\$1 = £0.632.

Source: FRS (2002), own calculations.

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