

Chapter 1

INTRODUCTION

The population of older people in South Korea (hereafter Korea) has increased considerably. It is said that Korea has passed ‘the ageing society’ (where the older population is over 7%) and has moved into ‘the aged society’ (where the older population is over 14%) according to the standard set by the United Nations (Park Cha-Sang, 2005: 15). As the older population grows rapidly, the need to establish a system of welfare for senior citizens also increases. Thus, it is an undeniable truth that senior welfare has already become a significant issue in establishing social and economic policies in Korea.

The life expectancy of someone born in Korea in 2009 was 80.67 years. The life expectancy of men at birth was 76.80 years; at 40 it was 38.21 years; and at 60 it was 20.77 years. The life expectancy of women at birth was 82.92 years; at 40 it was 44.01 years; and at 60 it was 25.11 years (Jung Young-Ho, 2012: 7).

In this regard, Korean older people’s health and life span is relatively similar to that of advanced countries. When it comes to social indicators especially, the human development index of UNDP has been significant. According to UNDP (2011), out of total 187 countries, Norway was ranked first, Australia was in second position, the Netherlands was third, USA fourth, New Zealand fifth; Korea was ranked fifteen.

Among many issues regarding the welfare of older people, their poverty is emerging as a major problem that needs to be solved. The relative poverty rate among older people in Korea is almost three times the average of the OECD member countries. According to Lee Byung-Hee et al. (2008), 34.2% of people aged 65-75 belonged to a household in poverty.

With the economic condition unimproved, the overall poverty rate of older people rose to 45.1 % in 2010.

This poverty causes a wide range of economic inequality (income inequality) when it continues to grow. The collapse of the middle class and the segmentation of the labour market also lead to polarisation. Deprivation within the older generation and inter-generational conflict comes from the uneven distribution of income and capital (asset) between non-elderly household and elderly household in terms of inequality. Polarisation of Korean society has continued since the IMF financial crisis as less well-off have increased enormously. Older people are more likely to be in lowest income class and the polarisation of elderly households has been of growing importance.

More recently the problem of solitary older people has emerged. This change of family structure has led to an increase in the number of older poor especially of older women. The growing number of older people living alone presents challenges for social care. Suitable social safety net and social services have not been established which leads to increased poverty.

In spite of the facts that many older people are at economic risk, the government has made little effort to solve this problem by establishing, for example, a social security system. Without action from the government, it is unlikely that the problem will be resolved, taking into consideration the fact that older people have fewer resources to improve their economic condition. With the problem unresolved, the problem of the elderly poor is said to be one of the most important welfare issues in Korea.

The main reason why the poverty of older people has become a long-lasting problem is that a social safety net has not been well enough established to prevent or lessen it. Thus, without the government's help, older people are put in the situation where they have to

sustain their livelihood by working for very low wages and are thus left in chronic poverty. Poverty in old age, which constitutes the main subject in this thesis, signals the immaturity and inadequacy of the state pension, the private pension and the other basic pensions. The lack of public support means that there is no other way for old people to improve their economic condition except privately. In other words, since the proportion of public transfers is significantly low, the livelihood of older people relies mainly on private transfers. Thus, without public help, they are driven to work in their old age, or have to depend on private (inter-family) transfers (Lee Byung-Hee et al., 2008).

The Korean government has given administrative priority to economic development to escape from absolute poverty. In the process of pursuing continuous economic growth, both fair distribution and democratic political participation have been pushed into second place in policy-making. This is the major reason why so little effort has been made to improve the nation's welfare. Furthermore, the power of the labour unions and civil society has been too weak to influence the direction of government policy.

Hong Baeg-Eui (2005) argues that the reason why older poor are so many is that Korea has not established income security properly and that the state pension was only introduced in 1988 and it spread urban self-employed workers in 1999. That means NPS (National Pension Scheme) as a public pension was not mature until 2008. Thus, currently the majority of older people were excluded from the pension benefits as well as public assistance and basic pension. Whereas Western society had already been established the public pension for older people. He points out that although older poverty is serious social issue, researches regarding 'why the older poor problem is happening' are not sufficient.

Older people's economic situation was influenced much by the size of family, the level of education and final type of job. The more family members they have, the higher their

economic status and if the education level is higher it means the economic situation is better. Also, in terms of final job type, previously unskilled workers were lower economic circumstances compared with professional job workers.

Previous employment type has determined the financial status of older people in Western society. In the case of Korea, the variable concerning previous job experience needs to be examined. As a result, it shows past job experience has very important implications because the coverage of public pension is low, it depends much more on whether they are regular worker or not. When considering the size of non-regular work and regular work in 2005, non-regular (irregular) workers account for 58% of total workforce, 13.3 million people including the self-employed; regular workers made up 34% of the whole workforce, 7.9 million people. Most recently, the number of non-regular workers was 8.37 million in 2012 (Chun Ji-Hye, 2007; Kwak Su-Jong, 2012).

Yang Yun-Jeong (2010) argues that Korean older people have a high risk of poverty. She mentions the importance of dynamics of income changes when people retire. There is a need to examine changes in the level and sources of income before and after retirement. The methodology of this study is quantitative research and it uses data from the Korean Labour and Income Panel Study. The paper illustrates that low income is related to gender, previous career status and current working status. It also demonstrates that permanent retirees have a prevalence of low income compared with those who continue to work even after retirement. In this paper, Yang Yun-Jeong (2010) shows that being in paid work after retirement substitute the immature old age income security net in Korea.

This research shows that the poverty of the older poor should be examined by focusing on retirement. However, current working status and past working status determine whether older people's poverty is serious or not. Sometimes, longitudinal research is

necessary to understand the poverty position in more detail.

With regard to the Korean social policy, Aspalter (2006) explains the East Asian welfare state by means of a developmental approach. Midgley (1986) presents the concept of 'reluctant welfarism' to help us understand welfare politics in the Tiger economies. This concept describes how social welfare development had been subordinated to the aims of rapid economic growth. The ruling elite of these kinds of countries stress a developmental ideology in terms of industrial development. On the other hand, Tang Kwong-Leung (2000)'s study emphasises the role of the developmental state in social and economic advancement. Holiday (2000) proposes the existence of a 'productivist' welfare regime that developed economies in East Asia, in which economic policy is dominant and superior to social policy. Also, in the case of Korea, just as in other Asian countries, a social security system and universal benefits including national health insurance were enforced in the late 1980s. The Korean welfare state can be identified as developmental on the basis of highlighting the 'trickle down effect'. The perspective of my research is likely to be similar to that of Aspalter's study because the Korean welfare state is very much related to developmental state in East Asia and it will be examined in terms of Korean poverty policy for the older poor.

From the perspective of the East Asian country model, I will summarise the current state of the Korean welfare state as follows. The government's unwillingness to take a step towards a welfare state, its preferential implementation of developmental policy, the consequent absence of a comprehensive welfare system and the strong dependence on the private sector for welfare constitute the main characteristics of the Korean welfare system (Kim Yeon-Myung, 2009: 183).

Research aims

The reason why I chose to investigate poverty in old age is that the demographic changes and the transformation of industrial structure have made older people very vulnerable and their economically vulnerable status is already a big social problem in Korea.

The main purpose of this research is to find a way to alleviate Korean older people's poverty and to improve their economic condition. As the level of poverty in old age has increased, the establishment of the welfare system for the elderly poor is a legitimate policy to pursue. With the necessity of a welfare system for the older poor in mind, I will analyse the poverty of older people and then try to find a solution to improve their financial situation by means of public aid. In the course of discussing the problem of poverty, I will emphasise the need to reduce the number of the older poor and the urgency of alleviating their poverty. Coupled with the rapid change toward an aged society in comparison with Europe and other Asian countries, the lack of a fully guaranteed social security system should be pointed out as an obstacle to the construction of a healthy (more equitable) society, the investigation of which constitutes the main task of this thesis. It is hoped that, in carrying out this investigation, this thesis will serve as a useful tool for the Korean government and social policy researchers who are trying to understand the serious problem of older people's impoverishment in Korea. The problem of the older poor is an urgent task to be resolved. If this problem is not dealt with properly, social integration will be only a remote possibility in Korea.

Research questions

Before developing this thesis, I need to outline the main research questions that are necessary for a deeper understanding of poverty among older people in Korea.

First, what are the major characteristics of poverty, inequality and social exclusion in old age in Korea?

Second, what are the main causes of the poverty, inequality and social exclusion?

Third, what policy solutions are available to improve the welfare of older people?

Research methods

This thesis is primarily based upon secondary data analysis and literature analysis. For the secondary data analysis I used all resources available including data published in Korean and English literature. I collected the data and analysed them with quantitative methods in order to study and evaluate the subject of this thesis. In addition to the statistical method, I referred to several Internet search engines such as Google, Google Scholar and the Scopus database including websites of OECD, UN, Ministry of Health and Welfare of Korean government, Korea Institute for Health and Social Affairs and Korea Labour Institute, and Korean portal sites such as Naver and Daum, which were helpful in finding a variety of useful data. I also made use of Sheffield University e-journals and e-books. The main keywords that were used to find the data included ‘poverty in Korea,’ ‘older people’s poverty,’ ‘welfare state in Korea,’ ‘inequality,’ ‘social exclusion,’ ‘pension,’ and ‘labour market’. I also utilised research institute publications and independent volumes, written in Korean so I had to translate them into English to use them for this thesis. The books are about subjects such as the social safety net, the working poor, the low-wage labour market, and the characteristics of Korean welfare state. Also, many books in English were quoted to develop ideas about poverty, inequality, social policy and the future of older workers.

The significance of the study

The significance of this thesis lies in the fact that there has been little systematic study of poverty among the older people, although there have been many studies of the problem of poverty in Korea. Most Korean researchers have mainly concentrated on the general trends of poverty, poverty rates in their poverty analyses. Given the lack of specific research on the elderly poor, it is necessary to investigate the impoverished state of older people in order to establish the welfare policies by which the proper help can be administered to those who need it.

In an effort to seek concrete knowledge about the actual condition of the elderly poor, this thesis attempts to define poverty and income inequality, and approaches the problem of the elderly poor from the perspective of social exclusion. The previous studies of poverty suggest that the current government policy on poverty is aimed at proffering help to the poor in general. In other words, the government is failing to provide target-specific aid, by concentrating on establishing a general pension system.

Overview of thesis

This thesis comprises eight chapters. The second chapter, following this introduction, presents the demographic data on the elderly poor in Korea and discusses the ideology of the official welfare policy and its social and cultural background. Chapter 3 discusses theories of poverty, inequality and social exclusion. It also deals with the concept of relative deprivation using Townsend's work on 'the meaning of poverty' which helps us understand the general meaning of poverty.

In Chapter 4, the causes of poverty in old age in Korea are discussed. In particular, the social and historical factors that have caused the increase in the numbers of the elderly poor are explored; the chapter focuses on the process of impoverishment and the experience of poverty of vulnerable people in Korea including the social and economic causes of poverty in old age. Next, in Chapter 5, the social security systems are examined. The public pension and public assistance schemes are discussed in order to explore the income security of the elderly poor. In Chapter 6, the labour market of older people in Korea will be considered

Chapter 7 deals with the under-development of the Korean welfare state as well as the history of poverty policy and poverty reduction policy. In particular, the previous three governments' social policies will be examined in critical terms. The solutions to old poverty and new poverty are also discussed.

Chapter 2

POPULATION AGEING AND WELFARE IN KOREA

As well as demographic change, political, social, and cultural challenges have a huge and strong impact on Korean society. In particular, those changes have much to do with the direction of the social policies that the government has taken, and consequently with the elderly poor who are the subject of this thesis.

Firstly, population ageing entails both an increase in life expectancy and a concomitant increase in the number of older poor people. Coupled with low fertility and enhanced medical services, the population ageing is becoming a conspicuous social problem in Korea. Above all, the rapid growth of the ageing population is making the problem more serious. As the population grows older, Korean society is likely to lose the social and economic dynamism which has been the motor in the achievement of its remarkable economic development for several decades.

In order to see how Korea could adapt to the population ageing without losing its social and economic dynamism, we need to consider the Korean context in which the military government has driven labour-intensive industry and an export-oriented economy (Ahn Sang-Hoon & Lee So-Jung, 2005: 172). The understanding of this context is necessary for overcoming the obstacles to implementation of the welfare system in the future. Many Korean scholars have pointed out that the backwardness of the welfare system in Korea is derived partly from the conservative ideology of the developmental state that regards the establishment of a welfare system as a factor disturbing continuous economic development. Further, we also need to consider other factors blocking the transition to a welfare state;

including the distinctive family-centered culture which emphasises the private transfer, i.e., family support based on filial piety. As parents put a higher value on children's economic success, the exclusive dependence on family support makes the welfare of the elderly difficult to implement in public terms.

At present, the Korean situation requires a new point of view regarding the government's political orientation and the issue of the welfare state in the context of globalisation. As a preliminary discussion to precede this new point of view, this chapter will deal with three crucial issues: population ageing, ideological framework, and social and cultural characteristics.

Population Ageing

Recently, there have been many social and economic changes in Korea, including a rapid population ageing. According to the UN typology, all modern societies have moved from an 'ageing society' (in which 7% or more of the population are old) to an 'aged society' (14% or more) and a 'super-aged society' (21% and over) (Choi Young-Jun, 2006: 553). Such a demographic shift is also occurring in Korea. That is, the population of older people is rapidly increasing in Korea. The speed of this demographic change exceeds that of advanced industrial countries such as the UK, France, Germany and Japan.

The reasons for the rapid population ageing are the increase in life expectancy and the low-fertility rate following a general enhancement of the standard of living.

Increase in life expectancy

Over the past fifty years, life expectancy from birth and later in life has risen remarkably in almost every industrialized country and elsewhere (Geneva Association, 2005: 11). Likewise, Koreans' average life span has risen from 62.3 in 1971 to 75.9 in 2003, according to the data presented by the National Statistical Office. The Geneva Association (2005) points out that the increasing life expectancy is a result of medical advancement as well as a decline in the infant mortality rates. Since 1970, however, the increase has mainly been due to the rise in survival into old age.

Low-fertility rate

The composition of the population in Korea has persistently become older also because Korea's overall fertility rate - the average number of children per woman - was recorded as 1.19 in 2003, compared to 1.78 in 1992. Meanwhile, women who do have one baby often do not want to have a second child. Thus, the low-birth rate has become a social issue because of the expectation that the working age population will decline and thus finally, there may not be enough younger people to support older people in Korea.

The average fertility rate required to maintain a stable population is 2.1 children per woman, or about 1.7 to 1.75 provided that this trend in life expectancy and low-fertility rates takes various policies into consideration, such as the use of female labour or older people's labour (Geneva Association, 2005; Phang Ha-Nam, 2005).

In Korea the proportion of the population aged 65 years or over reached 9.3% of the total in 2006, and it will rise to 14.3% by 2018 (National Statistical office, 2006). Overall, the rapid population ageing means that Korean society urgently needs to establish a social safety net. Choi Young-Jun (2006: 553) writes that 'The pace of age-structure change in Korea

means that there has been less time to establish proper measures of old-age income security’.

Rapidity of population ageing

In Korea, there has been a consistent increase in the number of older people, and the speed at which the population is ageing has been higher than in other developed countries. For instance, in the case of France, it took 115 years for the proportion of older people to go from 7% to 14%. It took 71 years in the USA, 40 years in Germany, and 24 years in Japan, but it only took 19 years in Korea as shown in Table 2-1.

Table 2-1 Population Ageing in Different Countries

Country	Year Reaching			Number of years to increase from	
	7%	14%	20%	7% → 14%	14% → 20%
Japan	1970	1994	2006	24	12
France	1864	1979	2020	115	41
Germany	1932	1972	2012	40	40
UK	1929	1976	2021	47	45
Italy	1927	1988	2007	61	19
US	1942	2013	2028	71	15
Korea	2000	2019	2026	19	7

Source: cited in UN (each year). The Sex and Age Distribution of World Population:

Japan National social security / population institute A Material Book of Population and Statistics

Economic momentum for the advancement of Korean society

Korean society has had unique experiences. It underwent Japan's colonial domination for almost 35 years between 1910 and 1945, the Korean War, rapid industrialisation in the 1960s and 1970s, and democratisation in the 1980s. All of these have had a great influence on Korean people. The recent social and economic change is a little different so that to explain this kind of transformation requires a new approach other than economic determinism.

Particularly over the past half century, economic development has been unparalleled. At the beginning of the building of the Republic of Korea, President Lee Seung-Man took office for the first time, followed by the outbreak of the Korean War. This First Republic continued to rule after the war collapsed following the 4.19 Student Revolutions which sacrificed many lives. The 4.19 revolutions were the protest in which many students rose up against a regime, which was trying to prolong its period of rule by unfair elections. However, the desire to democratise the political system did not last long because civilian politics came to an end when the military government of President Park Chung-Hee obtained political power through a military *coup d'état*. His followers established the Third Republic. Since the mid 1960s, Korea has achieved rapid economic growth. The Park government pushed forward labour-intensive, export-driven industrialisation in order to develop the economy which was thought to lag behind others in the region (Ahn Sang-Hoon, & Lee So- Jung 2005: 172). In this way, rulers and bureaucrats tried to escape from the previous desperate poverty. Although that period was characterised by coercive policies and suppressive government, the Third and Fourth Republics were two regimes that laid the foundations of economic improvement. Since both regimes focused on economic development at any cost, the establishment of policies to reduce the difference between the rich and the poor and to help

the vulnerable has always been postponed for the future.

Despite the experience of colonisation and the huge loss of life during the Korean War, Korea has succeeded in achieving rapid economic development. More specifically, the Korean state was called a 'developmental state' during the Park regime that came to power through the military *coup d'état* and continued to rule the country for eighteen years (Song Ho-Keun, 2003: 406). President Park Chung-Hee pushed forward state-led economic development. His purpose was to escape from absolute poverty and to create an economically richer country compared to the opposing country of North Korea. Thus the modernisation of Korea, based on developmental policy, was closely connected to bureaucratic authoritarianism. Korea had a strong military government as in some South American countries, but it was totally different from Latin American society with respect to democratisation (Im Hyuck-Baik, 1985: 231). A democratic government had not been easy to establish despite the growing aspiration for democracy.

The demise of President Park was followed by another military group led by Chun Doo-Hwan who began to rule South Korea in 1980. They continued to carry out an economic policy led by the centralized government. This regime lasted until the 1987 democratisation movement. In 1987, democratisation meant a shift from the authoritarian development state to a liberal and non-military state. Before that, the Korean people had experienced a long-term lack of democracy under a dictatorship. Overall, social advancement meant only economic development. Social advancement in terms of welfare continued to be held back for the sake of economic development.

Korean society laid bare many problems derived from the economically biased development, such as the rise in inequality and the unfair distribution of resources. However, the problem is that the Korean economy is concentrated around *Chaebeols* or conglomerates.

This means that common people have been denied public welfare while the employees of conglomerates have been compensated by the company. *Chaebols* have monopolised the economic and social profits so the economic development of small and medium companies has been held back.

The prominent economic achievements led many Korean people to have some hope. As the economy grew, Korean people believed that the problems of poverty and income inequality would be gradually resolved. Although, in this context, social insurance was a remarkable development, public assistance is relatively less advanced (Moon Jin-Young & Lee Jang-Won, 2008: 7). In particular, the welfare for older people has not been pursued as a priority.

Welfare ideology and recent historical context in Korea

Liberalism based on the market economy has dominated the tide of economic development and social progress. On the other hand, for a long time, the idea of welfare has been considered as progressive. Conjoined with conservatism, liberalism has been functioning as the ideology justifying the ruling power in Korea for almost thirty years.

In 1997, Korean society underwent the so-called IMF (International Monetary Fund) cold-snap as a result of adaptation to neoliberal globalisation. It caused an economic and financial crisis. Nevertheless, the Korean economy overcame this challenge successfully. Furthermore, the emergence of two leaders, both leftist and close to a collectivist position who focused more on the role of the state, laid the foundations for the development of a welfare state. However, the social policy for welfare became controversial during the tenure of the two leftist presidents Kim Dae-Jung and Roh Moo-Hyun. In 2008, a right-wing

political party came to power. The Lee Myung-Bak government proclaimed the execution of the neo-liberal policy, which aroused people's resistance at the beginning of the regime. In this context, Lee's government began to adopt a pragmatic approach incorporating economic and welfare policy. People who had experienced the beginning of the welfare state no longer want to go back to the past military government's or liberal government's social policy. It can be said that a national consensus about the necessity of welfare had formed. Irrespective of the ideological standpoint of former and current governments, older people's poverty had become an urgent matter that needed to be settled.

Over the past five decades, the efforts of the governments to improve welfare have been meagre. Thus, it is important to recognise that liberalism has not always been beneficial to the elderly poor. Nevertheless, during the period which was dominated by a conservative regime, in the 1980s and the 1990s, a number of institutions were established, such as National Health Insurance and the National Pension Scheme. In addition, since the IMF financial crisis, a variety of social welfare service laws have been enacted (Moon Jin-Young & Lee Jang-Won, 2008: 9). The ageing of the population was not an important issue for policy-makers who were only interested in overcoming the (IMF) financial crisis. Afterwards, at the beginning of the new millennium, population ageing started to be raised as a major social problem by both academics and politicians.

However, it is rather a common pattern to give priority to economic growth and to postpone fair distribution in favour of developmentalism on the basis of the pie theory in economics. According to the pie theory, the size of the pie should be maximized in order to increase the pieces of pie even after gaining the benefits of economic growth (Moon Jin-Young & Lee Jang-Won, 2008: 14). Thus, the establishment of the social safety net, including income security, has always been put behind.

The Korean welfare state in the global context

The welfare state seemed to be weakened with the change in the global environment, that is, the global extension of the free market fostered by the neoliberal economic liberalisation and rationalisation. However, the nation-state is still left as the major unit for the implementation of social policy (Mishra, 2002: 31). Although economic globalisation does affect the welfare state policies of the Korean government, the fundamental socio-economic features of Korea have not been compromised by the waves of global change. The fundamental characteristics of the Korean welfare state have been deeply rooted in liberal conservatism. During the long period of military government, economic development was driven by the state's centralised and regulatory policy. However, the government has had to operate a deregulation policy since participation in the OECD began in 1995, which made the Korean economy susceptible to the capital flows in transnational money markets; also the IMF's 'advice' in the course of the economic crisis that happened in 1997 facilitated the flexibility of the labour market.

Given the various pressures of economic globalisation, Korea took the route of a productive welfare policy as a means to survive under conditions of worldwide competition. As a result, there is increasing discussion of the claim that the welfare state is still immature and has not reached the stage at which social consensus can be established. Despite the government's efforts toward productive welfare, Korean society is facing new social risks such as labour market flexibility, low birth rate and population ageing. In this context, a low economic growth rate leads Korean people to return to the idea that economic development is the best way to overcome the current social risks (Yoon Hong-Sik, 2009: 343-344).

However, Korean people's attitudes to welfare are rather progressive; 55.2 % of

respondents in a survey carried out by the Chosun-Ilbo (2011, August 2nd) answered that income distribution was more important than economic growth. Only 38.5% of respondents answered that economic growth was still a significant issue.

All things considered, the future direction of the Korean welfare state needs to include both the demand for fair distribution and sustainable economic growth. Also, we should keep in mind the need to maintain a balance between the pursuit of welfare at the national level and the successful adaptation to the globalized economic environment.

Korean social and cultural background

Social, economic and cultural background

Contemporary welfare states have emerged in most advanced industrialised countries. Their origins date back to the end of the nineteenth century and the early twentieth century (Tang, Kwong leung, 2000: 89). In those countries, the development of the welfare state was accompanied by economic achievement, political democratisation, and social development. However, in Korea, the economic, social and technological advancements have been achieved broadly and swiftly whereas the social security system has not developed at the same rate. Economic development has been caused by radical social and cultural transformations; that is, industrialisation and Westernisation.

Among many changes, the demographic challenge of population ageing, which represents a change in the balance of the composition of the population, is significant. The growth of the older population challenges the Korean customary tradition according to which the eldest son should take care of his aged parents. Although this custom is old-fashioned and

a part of Confucianism, it is necessary given the lack of sufficient public support for the old. At present, however, thoughts about family support are changing following the sharp increase in child support costs. That is, the problem of the care of the aged cannot be the business of the family alone; it is also a social matter.

Korean traditional values have been significant for every member of Korean society. Among them, Confucian values like filial piety have been so honoured as to facilitate family support. But Korean society is becoming one that is no longer maintained by these traditional values. Korean society is now multicultural. There has been an increase in the number of immigrant women and Westernised young people who usually want to escape from the heavy burden of taking care of their older parents.

Given the clash between the traditional and the new view of welfare and the underdeveloped public care service, the private transfer has become more important to older people in Korea (Kwon Huck-Ju, 1999: 1). Even though many Korean people are no longer in favour of family support, public transfers are still far from being implemented, because of problems such as the instability of funding and the exclusion of many needy old people from the benefits. This is because an adequate welfare system has not yet been established as can be seen in most East Asian countries that are still in a developmental state (Kwon Huck-Ju, 1997: 472).

Conclusion

In summary, population ageing is an increase in the number of older people. This causes a socially and economically challenging situation. Coupled with the low birth rate, the increase in life expectancy and the increase in the number of solitary aged people, rapid

population ageing makes it difficult for Korea to adapt properly to enormous social change.

When considering the ultimate necessity of welfare for the old, it would be a backward step to stick to liberal conservative policies. Thus, more opportunities for the person who has new and advanced thinking should be created by cooperative efforts of the reformed conservative groups and the rational progressive groups (Park Seh-II, 2006: 388). In other words, those who have pushed industrialisation forward and those who have propelled democratisation need to collaborate to establish the social safety net, which is eventually expected to promote the continuous development of the nation.

Finally, we need to consider cultural factors hindering the smooth transition to the welfare state, such as a family-centered culture. Since the family-centred culture which is attributed to Confucianism is deeply rooted in Korean people's mentality, it should be discussed with special care. The family-centered culture takes family support for granted, which in turn weakens the necessity of establishing a welfare system.

Chapter 3

POVERTY, INEQUALITY AND SOCIAL EXCLUSION

According to Ringen (2009: 194), poverty is the most serious social evil. He argues that poverty must be reduced or alleviated, and further, even eradicated. Considering the ultimate significance of eradicating poverty, I intend to approach the poverty issue from a universal perspective first.

Poverty is a common social issue that has been discussed in each and every society. Capitalist society has always had a problem in terms of economic production and distribution. However, before discussing the controversial points of the poverty issue, it is necessary to identify the characteristics of poverty in general. I will then introduce multi-dimensional perspectives on poverty, through which poverty, inequality and social exclusion are examined.

Using the concept of relative deprivation, I will approach the poverty issue from three dimensions, absolute, relative and overall poverty, as mentioned above. Next, I will identify the contemporary meaning of poverty, measure the situation of poverty and assess people's attitudes towards poverty. I will treat inequality as another side of poverty notwithstanding that poverty is not the same as inequality, I will investigate the problem of poverty with inequality. Thus, this thesis tries to include income inequality, redistribution, and equity, equality of opportunity and equality of outcome in the discussion of poverty.

Finally, social exclusion is another viewpoint from which to approach poverty. Thus, I intend to discuss the concept of social exclusion, its definition, its constituents and its typology.

Poverty

The concept and definition of poverty

Lister (2004: 13) argues that poverty is a status created by a lack of resources. It can also be described as the inability to participate in society. Also, poverty means a state in which there are not enough necessities and other resources. Thus, the poor cannot but depend upon benefits or allowances. Although sometimes there are poor people who are able to work, only temporary employment is likely to be open to them.

Also, poverty can be defined as ‘the number of people with income below an arbitrary percentage of the average’ (Joseph Rowntree Foundation, 2000: 8). This definition is attractive to governments and international agencies because it is fairly easy to calculate the number of people in poverty in many different countries, although it does not have a scientific base. That is, it is not related to independent standards of deprivation or a kind of disadvantage: It is not based on the needs of individuals or any agreed definition of what poverty is (Joseph Rowntree Foundation, 2000: 8-9).

Poverty has usually been defined from the economic point of view. The economic definition of poverty relies on data that can be quantified and categorised. The most common way to define poverty is to use a certain income standard, i.e., the poverty line. This approach includes absolute and relative concepts of poverty (Choi Il-sub & Choi Sung-Jae, 1995: 87).

Absolute poverty

The definition of absolute poverty was established by Charles Booth and Seebohm

Rowntree, the pioneers of modern poverty research (Lister, 2004: 20-21). According to the absolute concept of poverty, poverty is understood as lack of sufficient money to satisfy basic physical needs. Lister adds that absolute poverty is defined in terms of subsistence. Subsistence or absolute poverty is measured by the basic minimum income at which the maintenance of physiological efficiency is possible. This approach includes the calculation of a poverty line which is related to rudimentary minimum necessities (Walker, 1997: 30). Thus, a minimum income is important to an understanding of the concept of subsistence poverty. The approach has an advantage in the sense that it can offer a useful tool to be applied to policy-making on the premise that if a society is able to provide sufficient income to satisfy subsistence needs, then poverty would be decreased. This concept has had a great influence on policy-makers in industrialised nations (Townsend, 1983: 66).

However, this perspective has been criticized for its simplicity and inflexibility. The absolute poverty line is usually defined as a requirement for the physiological efficiency of individuals. However, this concept can also include not just 'simple physical subsistence' but also social need, social situation and standard of living. For example, abundant food, shelter and clothing are the most basic things, but those who do not have these necessities are more likely to be the poor. Therefore, the concept of absolute poverty is applicable to any society universally. Since the standard of human subsistence would be similar in most societies, it could be applied to any society (Giddens, 2001: 283). To put it briefly, the definition of absolute poverty means 'not having the basic necessities of life to keep body and soul together' (Gordon & Townsend, 2000: 75). The United Nations (UN) describes absolute poverty as 'a condition characterised by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to services (UN, 1995:57).'

Absolute poverty can also be interpreted as the state of people living under a minimum standard of living, where the level of need is defined by some rudimentary income or consumption standard which is used to create a poverty line (Ku In-Hoi, 2003: 29). However, the minimum standard to determine absolute poverty can vary because basic needs can differ in each society. Therefore, a single standard should not be applied to every society. Since absolute poverty is mainly concerned only with subsistence, people's general standards of living are not usually taken into account. Therefore, the gap between the rich and the poor in their standard of living gets bigger as the economy develops. When only the escape from absolute poverty is emphasised, the quality of life of ordinary people is usually overlooked. Typically, in this context, people are interested in income differences rather than subsistence. As Korea has achieved economic success, the importance of the concept of absolute poverty has been reduced.

Relative poverty

The description of poverty above certainly implies a relative concept which defines poverty not by a certain 'absolute basket of goods' but by the acceptable minimum quality of life applicable only to a specific society.

The concept of overall poverty is similar to the concept of relative poverty suggested by Piachaud (1987: 147-164), who defines poverty as 'objectively and applied consistently only in terms of the concept of relative deprivation'.

An EU Council Decision in 1984, promulgated just before the second anti-poverty programme began, defined poverty as follows:

The poor shall be taken to mean persons, families and groups of persons whose resources (material, cultural and social) are so limited as to exclude them from a minimum acceptable way of life in the member state in which they live (EU Council Decision, December 1984).

Although this definition is suggested in order to consider the situation among the EU countries, it is based on the relative conception of poverty. In other words, it focuses on individuals' resources available for their life and it is related to the society in which they live (Gordon & Townsend 2000: 192-193).

Alcock (2000: 159) points out that relative poverty is widely experienced among groups of people who have few resources. In addition to this, Townsend (1979: 1) developed the notion of relative poverty to associate it with individuals and families in poverty. The concept of relative poverty is used to describe the situation in which people's resources are below those of the average for both individuals and families. Furthermore, people in poverty are excluded from the normal pattern of life, customs and activities. Relative poverty can also be defined by using the average income and median income. Since each researcher can set the poverty line for the purposes of their study, it could be claimed that the relative conception of poverty is arbitrary.

The concept of relative poverty is an alternative to the concept of absolute poverty. The relative approach is operationalised in terms of relative differences in standards of living. In other words, minimum living standards can be measured in relative terms. Thus, the concept of relative poverty makes possible the estimation of poverty through comparison. The typical methods to measure poverty in relative terms are median and average incomes

(Ku In-Hoi, 2003: 29).

Relative poverty can be alleviated through a reduction in income inequality (Ku In-Hoi, 2003: 29). Korean society has experienced growing inequality caused by inter-generational discord, class conflict and economic gaps between regions. The most fundamental cause of inequality is income inequality, though each problem contributes to the unequal distribution of wealth, coupled with Korean society's indifference to the welfare state. For this reason, the relative concept is more useful for understanding Korean poverty than the absolute one.

Relative deprivation

Relative deprivation, which is not the same as relative poverty, occurs when people find it impossible to obtain, at all or sufficiently, the condition of living, - that is, the diets, amenities, standards and services-which is a way of participating in the relationship and follow the customary behaviour which is expected of them in virtue of their membership of society (Townsend, 1993: 36).

A number of academic researchers and political commentators measure poverty in terms of relative deprivation. They argue that the measurement of poverty has nothing to do with detailed and systematic calculation of minimum income, but with income needed to participate in a variety of roles, relationships, and even forms of consumption that constitute full membership of a particular society (Walker, 1997: 33). Relative deprivation is a multi-dimensional notion which includes almost all areas of life. Relative deprivation is most often felt when material resources are lacking. Discussing the relationship between income and standards of living, Townsend (1987: 140) stresses the need to differentiate between the

features of the two: between deprivation ‘depending on the standards of conditions or activities experienced’ and poverty ‘depending on the incomes and other resources directly available’. Finally, he makes the distinction between material and social deprivation. The former means the lack of material resources; the latter means the lack of the normal social conventions, actions and relationships (Townsend, 1987: 127).

Overall Poverty

In a broad sense, overall poverty is defined in a range of forms, including

lack of income and productive resources to ensure sustainable livelihood; hunger and malnutrition; ill health; limit or lack of access to education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments and social discrimination and exclusion. It is also characterised by lack of participation in decision-making and in civil, social and cultural life. It occurs in all nations (UN, 1995: 57).

More specifically, the definition of overall poverty by,

The Copenhagen Declaration defines it as not having those things that a society thinks are basic necessities and, in addition, not being able to do the things that most of the people take for granted (Gordon, 2000: 52)

In other words, overall poverty is consistent and enduring socio-economic isolation stemming from an absence of sufficient assets and opportunities. It is a condition of marginalisation that limits the access of individuals and households to the resources

and services required for basic livelihood needs; the enjoyment of fundamental human rights, including personal security; and freedom from manipulation and discrimination by stronger groups. Overall poverty is the outcome of inequity in the control of opportunity and resources, particularly reflecting a lack of legal rights, political participation, and freedom from conflict. It is frequently associated with an interrelated set of outcomes such as hunger, disease, child mortality, gender bias, and environmental degradation. The 1995 Copenhagen Declaration of the World Summit for Social Development described overall poverty as a set of circumstances in which people suffer from a constellation of challenges experienced over a period of time. (Boguslaw & Brown, 2006)

The awareness of poverty

If we look at public attitudes towards poverty in Britain, a number of people are regarded as being in a situation in which it is impossible to buy the goods that most people have take for granted. For them, poverty is not just a matter of having the necessary means to eat and live, but a matter of being able to afford other goods such as tea, newspapers and concert tickets that people ‘need’. The British Social Attitude (BSA) survey introduced the question of attitudes toward poverty reflecting a change in the view of poverty (Hills, 2004: 60).

In fact, poverty as ‘unable to afford necessities’ is the most common understanding of poverty in the UK. However, the Breadline Britain approach with which many people would agree can be applied to measure poverty. People think that the things that people need are changeable over time (Hills 2004: 60). For instance, as we see from the analysis of the results of an earlier study which used the term ‘necessities’, people think that poverty can be

interpreted as a relative term.

Breadline Britain (Gordon et al., 2000) consisted of three surveys in 1983, 1990 and 1999. As I mentioned above, the BSA survey enables us to recognise how participants perceive their previous experience. That is, people's reports of their experience of poverty differ according to social and economic class within British society. This thesis will discuss whether this survey can be compared with Korean people's awareness and attitudes regarding poverty.

In Korea, from the perspective of Korean history, poverty has been described in the following way. For a long time Korean society experienced the absolute poverty that was attributed to the occupation by Japan and the Korean War. During the process of the government-led industrialisation, as the country climbed out of absolute poverty, poverty was regarded as a result of personal idleness or disability. The steady economic growth gradually reduced the poverty rate and poverty could no longer be the primary concern for those to whom economic development was the only goal. However, a change in the way of thinking about poverty occurred during the IMF financial crisis. In 1997, as the country underwent a financial crisis, poverty resulting from mass unemployment became a prominent problem again. Even though there had been other crises before, like the rise in oil prices, it was not until the late 1990s that the situation of poor people began to be regarded as a critical social problem which should be taken seriously.

More recently, according to the second Korean welfare panel (KOWEPS), Korean people's awareness of poverty and inequality has been as follows. Most of all, the majority of Korean people think that the distribution of income and assets is very unequal, and further to alleviate this, the role of government is important. However, attitudes regarding income distribution are not differentiated by educational background, income class and age. In

particular, Korean people put more value on equality of opportunity than on equality of outcome. Finally, they regard the elderly, disabled people and the poor as welfare targets, and they think the problem will be solved through expansion of social spending (Kang Sung-Jin & Lee Woo-Jin, 2010: 9-10).

The meaning of poverty

Townsend, who pioneered poverty research in the UK, tried to define poverty from a point of view different from the existing absolute one. Townsend (1962: 210) presented three generalisations that are accepted as facts. Firstly, it is clear that the increase in employment, including the increase in female employment, and the increase in real wages have brought more abundant life (prosperity) to the majority of the population. Secondly, the continuous equalisation of income and wealth has occurred through a marked redistribution of income from the rich to the poor. Thirdly, the introduction of a welfare state has created a social safety net, preventing most people from experiencing social risks, and helping people not to fall below specific living standards. However, Townsend criticised this view severely arguing that poverty is still present in all societies. In my opinion, this visible change mentioned above is not that important in helping us to understand the true meaning of poverty.

According to Walker (1993), when considering the meaning of poverty especially in the UK, we should be aware that poor people's lives must constantly balance need with cost: to keep the fire on and keep their house warm but risk not being able to pay the bill, or to keep the cost down and be cold; buy food for tonight's meal or save for the gas bill; buy the birthday present now and miss the rent or the catalogue payment. For poor families, Christmas and birthdays are not days of joyful events because the parents feel uneasy and

guilty when they cannot buy their children the presents that we can see on the TV. When it comes to food and diet, although food is the most essential item, it is in fact, the most flexible part of family expenditure. Thus, when money is short, the food budget suffers; people usually buy cheaper food, and families cut down on fresh fruit and vegetables (Charles & Kerr, 1985). Moreover, among family members, spending can first be decreased on items such as leisure, social activities and holidays. In addition to this, there is an implication that the severance of contact amongst family members and friends is related to the meaning of poverty (Kempson, 1996).

According to a survey conducted in Australia, around three-quarters of the people surveyed thought that poverty is a continuous struggle, either from the point of view that people cannot fully afford to buy basic necessities or in order to keep a balance between financial resources and needs (Saunders, 2011: 21).

Barnes (2002: 3) claims that poverty has been a contestable debatable concept. Traditionally, the intellectual understanding of poverty has focused on problems of distribution including the lack of income. However, as Townsend mentions in his thesis on the 'meaning of poverty', an income poverty line can be a kind of social boundary. That is, individuals are unable to participate fully in social life because they are living below the poverty line. Townsend's work became the basis on which much of contemporary poverty analysis has been conducted (Barnes et al, 2002: 4). However, some people criticise Townsend's attempt to define poverty as a set of conventional resources and participation activities (Piachaud, 1981).

In his research, Townsend mentioned the survey conducted by Charles Booth and Seebohm Rowntree in order to investigate the real conditions of poor people. He emphasised the significance of subsistence and adequate nutrition as well as necessities. As 'physical

efficiency' is emphasised as the main element in the analysis of poverty, food becomes the most important component in measuring subsistence or poverty (Gordon, 2010: 162).

Existing operational definitions of poverty have not been understood in relative terms, and do not deal comprehensively with important concepts, such as resources and living style (Gordon, 2010: 192). A narrower conception of income and the maintenance of physical efficiency have become a concern. Among previous poverty studies, Seebohm Rowntree's work is the most significant. He defined primary poverty as a state in which families' total earnings are not enough to obtain the minimum necessity for the maintenance of physical efficiency. Almost all later studies were deeply affected by the application of the concept of subsistence (Gordon, 2010: 192).

On the other hand, Townsend argued that the level of household income was related to the standards of nutrition. Townsend also asserted the significance of fluctuations in living standards over the periods of life. Thus, he studied how the standard of living fluctuated according to adversities that people experienced such as retirement, sickness and disability. In this sense, it would be appropriate to consider poverty as relative insufficiency (Gordon, 2010: 166). Also, it is important to understanding poverty from a lifelong perspective.

Townsend pointed out that the statistical data are misleading as a guide to variations in standards of living mainly because of the vague distinctions made between capital and income (Townsend, 1962: 222). Other studies may stress the distribution of non-monetary resources among individuals and families. For instance, some families who have a relatively large income might be obliged to reside in a slum house or send their children to overcrowded schools. So, there is a possibility that poverty and plenty can coexist owing to the allocation of resources between different area of the nation and between public and private services in Britain (Townsend, 1962: 223-224). Therefore, we need to acknowledge the

problem of economic distribution between individuals and families

As far as relative insufficiencies of income and wealth are concerned, in an important sense, poverty could be described on the basis of the number of households or families of certain types having a total income of less than, say, half or two-thirds of the average. As Galbraith has said, 'People are poverty-stricken when their income, even if adequate for subsistence, falls considerably behind that of the community (Gordon, 2010: 166). Thus, sometimes, the meaning of poverty is not objective, but subjective. This also means the idea mentioned above should be a relative term (poverty).

As Townsend mentioned, a vague concept of 'subsistence' is not adequate and cannot be a precise criterion of poverty because it is not a scientific and essentially static notion. Townsend (1962) said that, in the end, poverty is not an absolute state but one of relative deprivation. That is, relative deprivation is a subjective concept whereas subsistence is a far more absolute and specific concept.

Typically, poverty has the meaning that income is deficient. In other words, that is the poverty which the necessities for living a stable life are scant. Poverty has been the case since the beginning of human civilization. However, the number of things which are needed for human beings to enjoy their lives is increasing thanks to improvements in standards of living. It is situated on the thing that is needed. This is not existed in the past. In this regard, poverty is the state in which there are no opportunities or choices for human development (UNDP, 1998: 14).

This is called human poverty in contrast to income poverty. In addition to this, poverty means that, human development (the state in which a person can stay healthy for a long time, live a creative life, and enjoy an average standard of living, freedom and dignity) is hindered. For example, the UNDP human development index is an example of the

measurement of qualitative poverty (Kim Dong-Choon, 2000: 24).

Finally, to understand the meaning of poverty from a psycho-social perspective, the psychology of poverty is not particularly deep or subtle. It does not need elaborate psychological theories of how people feel when facing poverty. However, the feeling and emotion of poverty have social and economic effects (Wrapson, Mewse & Lea, 2008: 80). Therefore, those who are very materialistic in their thinking are less happy than those in their peer group who are less materialistic (Wrapson, Mewse & Lea, 2008: 85). Furthermore, poverty is increasingly able to cause mental illness such as depression. Also, poverty has been acknowledged to influence emotions as well as the individual personality. In this way, poverty definitely has negative effects on people's states of mind (Lee Hyun-Joo et al., 2009: 37).

Measuring poverty

There are nine ways to measure poverty. The first way is a subjective assessment by researchers. For example, in a study of poverty in York, Seebohm Rowntree asked his investigators to report whether people were living in 'want or squalor' and used these answers to measure the number of people living in poverty (Hills, 2004: 39). However, it is not possible to quantify the extent of abstract economic resources and hygiene condition, so, this approach is not appropriate. As long as investigators conduct surveys, we must be careful not to distort the reality of poverty.

The second way is the 'primary poverty line' established by Rowntree: that is, the amount of income required to live thriftily. People with income below the primary poverty line have to economise and conserve their resources. This idea divides poverty into two types,

‘primary poverty’ and ‘secondary poverty’. Rowntree’s work in the 1930s admitted that this criterion was too subjective. Some countries utilise a minimum income standard to make official counts of poor people (Hills, 2004: 39). This method is called the ‘budget standard’ which defines the income needed to purchase basic items. This is closely related to the capability of people to buy goods in the market. Walker (1997: 34) claims that this method is closer to the one adopted by Rowntree than other relative concepts since it is dependent upon the cost of ‘a basket of goods’ calculated by experts. According to Walker (1997), defining poverty this way is mainly a professional’s task in which they judge how much money is needed to buy various items such as food and clothes, to rent or buy a house, and to pay heating costs. However, the basket does not include all items that compose a standard of living (Joseph Rowntree Foundation, 2000: 10). The budget standard is possibly set by the price of goods, and refers to people’s purchasing power in the market. However, it sometimes cannot be calculated clearly. In this case, primary poverty is rather ambiguous.

The third way is the national social security standards that Abel-Smith and Townsend (1965) used in their classic research, ‘The Poor and the Poorest’. The two scholars used the national data from the Family Expenditure Survey to calculate difference between household income and spending and secure the minimum by National Assistance (now Income Support) system (Hills, 2004: 40). Abel-Smith and Townsend (1965) argued that people with incomes below 140 % of the National Assistance rate were living in poverty according to the official level. In effect, as they said, the standard of living of National Assistance Board applicants cannot be defined precisely. The expenditure incurred by households receiving grants from the Board varies. Thus, the full rates are incorrectly paid, and the survey was not exact. All things considered, the reliability of social security standards is low because of inaccurate measurement. They cannot be used to identify the precise population of the poor.

The fourth way is a relative income measure which is used to avoid generous social security benefits and to include more people in the category of the poor. It can be compared with the social security standards approach. The establishment of the Department of Social Security in the 1980s made it possible to carry out a public measurement based on income distribution in Households below Average Income (HBAI). The public measurement reported the number of people with less than 50% of yearly average income and with less than 60% of median income. This is an example of a 'relative poverty' measurement (Hills, 2004: 40). On the other hand, the international definition of poverty, which is regarded as a simpler one, helps to measure not only how much money people have, but also whether it is sufficient for people to maintain a minimum level of life. With this method of measuring poverty, cash income is an important factor, but it is not the only indicator of people's access to goods and services. For instance, possession of some assets means additional income. It raises the standards of living and improves access to many economic goods and services (Joseph Rowntree Foundation, 2000: 10). Relative income measurement might be a solution to curb excessive use of welfare benefits. However, the relative concept of poverty challenges the understanding that subsistence is the essential way for making a rudimentary assessment of whether or not people have the necessities for living.

The fifth way is a real income measure. This applies to people who have income below the average percentage. This is called an 'absolute poverty' measure. The Households below Average Income (HBAI) shows the numbers below some specific fixed line that is not related to contemporary incomes or standards of living (Hills, 2004: 40). In general, real income does not provide tool for the measurement of poverty as seen from the wider perspective. Thus, it is capable of measuring poverty very narrowly.

The sixth way is a participation standard (measurement of participation). This

approach is related to income and offers very valuable information on tendencies over time and differences between countries (Hills, 2004: 41). In his representative study 'Poverty in the United Kingdom', Townsend (1979) claims that people who live in poverty lack items or actions that the general public regards as indispensable for participation in ordinary activities and purchases. Townsend also suggests a certain income level as a threshold of deprivation that can be used to measure poverty objectively; in other words, it is based on the notion of relative poverty. It is hard to explain participation, and participation alone does not guarantee a more precise differentiation of poor people.

The seventh way is a consensual deprivation measure (a social consensus approach). Researchers decide what are 'necessities', but their decision is open to challenge. In their work for the 1980s television documentary series *Breadline Britain*, Mack and Lansley (1985) conducted a national survey to ask what people think of as 'necessities' (Hills, 2004: 41). This survey was conducted on the basis of the principle 'let the people decide'. Also, these methods have two variants: what should be included in the definition of relative poverty, and what the public may be prepared to pay for through taxation (Walker, 1997: 34). This approach can be influenced by the public's prejudice, or biases derived from people's subjective judgment.

The eighth way is the combination of measuring low income and deprivation. This approach uses a shortage of important items to distinguish between 'poor groups' and 'non-poor groups.' This approach was used by the Irish government which formed the concept of 'consistent poverty' as a way of reducing poverty. The 1999 PSE (Poverty and Social Exclusion) survey conducted by Gordon and other researchers also used this method. In these surveys, scholars measured poverty in a scientific way (Hills, 2004: 41). Regarding the combination of low income and deprivation, the lack of important items cannot be the only

standard used to make a distinction between groups. Thus the concept of low income and the concept of deprivation cannot be conflated. These two concepts are totally different.

Finally, there is a subjective measure, that is, a subjective assessment of the level of income required to avoid poverty. This concept has been used in attempts to measure poverty in several countries including the 1999 PSE (Poverty and Social Exclusion) survey (Hills, 2004: 41). Although there is a difficulty in measuring poverty by a universal standard, this method should be applied, considering each country's distinctive economic situation and attitudes towards poverty.

Poverty in old age

Old age poverty has become a long-lasting social problem and the primary burden in ageing. The concern of poverty in old age has been resolved by the establishment of public pensions by European nations. In academia, in the 1970s, the advent of a theory of political economy put a new emphasis on this problem (Estes, 1979; Walker, 1980; Phillipson, 1982). On the other hand, Townsend (1981) developed the concept of growing old as affected by a type of 'structured-dependency' of increasing numbers of older people in terms of imposition of retirement, poverty, and restricted social roles. Walker (1993) concluded that poverty in old age was mainly related to the individual's low financial and social status before retirement and low level of state benefits was regarded as a secondary significance.

Typically, older people tend to earn small amounts of money and always face a higher risk of poverty. Those risks are apparently closely associated with their income source. When compared with the rest of the population, the majority of elderly people maintains their livelihood and is supported by welfare benefits not by earnings (Alcock, 1993: 158).

Their economic status is usually based on reported income but this is not appropriate for examining the situation of older people. In general, the lack of appropriate data makes the extent of poverty among elderly people impossible to generalise compared with other age groups. However, a reduced capacity for work and an increasing risk of chronic illness are likely to make elderly people vulnerable to poverty, irrespective of their original economic status, unless comprehensive and effective social policies are put into practice. In fact, older people have no entitlements to pensions and assistance for their later life. Thus, all things considered, they need support in terms of concrete and realistic policy intervention (Lloyd-Sherlock, 2000: 2160).

Poverty in old age in Korea

In Korea, poverty among older people and polarisation has increased greatly as the population ageing has become larger. Recently, people in their 40s and 50s, have been preparing actively for their old age, whereas the present older generation are not ready for their old age (Kim Kyung-Hye & Kim Sun-Ja & Roh Eun-Yi, 2010: 87).

If the number of poor older people does not diminish, Korean social stability will be weakened and the other poverty problems are unlikely to be settled, because most of the budget to prevent and reduce poverty will have been spent on older people's poverty.

In this context, the quality of life of Korean older people has declined. In 2004, a nationwide survey of the life situation and welfare desires of older people showed that the lower their income, the poorer their standard of living. For example, frequency of contact between children and the elderly, balanced meals, economic support, group activities among religious or social organisations are not adequate for their quality of life (Jung Kyung-Hee,

2009b: 122).

More specifically, although actual household income may be above the poverty line, this does not guarantee that the older person as an individual will not be in poverty. This also tells us that in the case of older women, there is much difference between household and individual income.

Also, 34.8% of older people have no income but have some other assets, so it is hard to identify poverty only by income. In other words, an older person's difficult economic situation should be examined in light of other factors. In particular, for older men, the proportion that possesses some assets is much higher than for older women. However, private (income) transfer is more common for older women than for older men (Jung Kyung-Hee, 2009b: 123).

There is a more detailed discussion of poverty among older people in Chapter 4.

Inequality

The concept and definition of inequality

Generally speaking, inequality means an unfair situation in which certain groups of people or individuals have more monetary resources, more opportunities of access to amenity, and more political, economic and social advantages than other groups of people or individuals. In particular, economic inequality, or income inequality, is characterised by disparities in the distribution of financial wealth and income among the groups of people or individuals in one country.

The need to explain the importance of income inequality is derived from the fact that

if inequality exists, deprivation also exists, resulting in relative deprivation (Ringen, 2009: 216). Thus, in order to prevent deprivation we have to consider it together with the issue of inequality. We need to consider that inequality is a serious obstacle to the creation of social integration.

Wilkinson & Pickett (2009) claim that income inequality is detrimental to society, and that the higher the income inequality of society, the lower the degree of social cohesion. As a result, there are many social problems, such as high crime and mortality rates, poor health conditions, serious educational inequality, low social reliance (trust) and low participation in politics. Thus, the matter of inequality is important, and politicians, economic experts and policy-administrators need to consider the social aspect of this problem. Furthermore, an unequal society tends to have negative situations facing individuals such as a deficiency of resources as well as a structural lack of investment ranging from a variety of human, materialistic, health and social infrastructures (Lynch et al., 2000). Therefore, inequalities have a variety of implications that are associated with society, economy, politics and culture.

Further, the reason why more people have an interest in inequality and polarisation is that these are key issues which threaten social integration.

Inequality is a similar state that violates a 'universal human right', which is the basic right that anyone can enjoy wherever they live. More specifically, inequality has the following bad effects. Firstly, inequality wastes people's talents. In terms of gender equality, if women are excluded from high positions, almost half the talents and opportunities in one country are wasted. Secondly, inequality is harmful to society and its systems. In an unequal society, elites easily dominate the government and other institutions, and then, use them as means to pursue their own narrow interests rather than the economic well-being of the

majority. Thirdly, inequality is harmful to social bonds. Amongst individuals, vertical inequality causes conflict between ethnic groups, for example it is connected to a rise in the crime rate whereas horizontal inequality arouses the possibility of conflict with national development being held back for decades. Fourthly, inequality hinders the effect of economic growth on poverty, for instance, the benefit to the poor that the growth of 1% gives is larger in an equal society than in an unequal society.

Finally, inequality hands down poverty from one generation to the next generation. The children born in a large number of under-developed countries are unable to grow because of a lack of nutrition in their childhood. (Joo Sung-Soo, 2011: 176- 178)

Large inequalities lead to social division and are likely to be regarded as morally wrong (Blakemore, 1998: 23). Typically, most people think that if the income gap between the rich and the poor is too large, then it is the government's responsibility to reduce it (CASE, 2004: 3). Also, 'Poverty is best understood as a function of social, economic and political structures and processes which continue to create an unequal distribution of resources both within and in a global context' (Lister, 2004: 51).

However, inequality is a more comprehensive matter that requires responsibility for all members of society such as the problem of distribution. As far as distribution is concerned, equality means that resources such as income, consumption, - or any other kind of welfare indicator - are distributed equally to all people (Yeo Yu-Jin et al., 2005: 66). This definition is rather similar to the notion of welfare economics.¹ Inequality means the difference between those who have jobs, opportunities, compensations and even privileges and those who do not (Lee So-Jung et al., 2008: 27).

Studies of social inequality have focused only on income inequality so far in Korea.

¹ When the problem of equality and inequality are involved in rules and morality, it is time to combine it with the philosophical realm (concept) called 'distributive justice' (Yeo Yu-Jin et al., 2005: 66).

However, inequality should be understood in various dimensions, such as social network inequality and housing inequality, which will be dealt with in Chapter 4 (Lee So-Jung et al., 2008: 24).

Redistribution, equity and equality of opportunity

Redistribution is ‘socio-economic policy that alleviates inequalities in the distribution of income and wealth. In general, large inequalities exist in the system of capitalist economy. An individual’s income is determined by the quantities and prices of economic resources that each individual owns. Therefore, the types and quantities of resources owned by each person are different, and an income gap is inevitable among the people due to differences in the prices of goods and services (Lee Jung-Woo, 2010: 375).

As I mentioned above, some inequality is unavoidable in modern capitalist society. Income inequality is exacerbated by polarisation, which means the increase in the income gap between socio-economic classes. There is no mechanism to manage the income inequality in a capitalist society. If we leave income inequality as it is, the income or wealth gap among the classes will expand, the solidarity of the social community will collapse and social integration will be impeded and hindered (Lee Jung-Woo, 2010: 375).

Another meaningful way to think of equality other than as equality of income is to ponder on equality of opportunity. Equality of opportunity implies the absence of discrimination based on, factors such as class, family background, gender, or national origin. If someone is put in an unequal position with those other things being equal, she or he is experiencing inequality of opportunity. Inequality of opportunity is a form of systematic exclusion through which some people in society benefit unfairly from their class or family

origin (Manning, 2007:85).

The principle of equal opportunity can be applied first to employment. Policies need to be established in order to get rid of barriers to access to work by offering opportunities for lifelong education, job training and employment.

The principle of equal opportunity can also be applied effectively even to temporary and part-time work. The expansion of educational opportunity is the crucial means for achieving income equality because the level of education is an important factor in wages. It is also necessary to increase welfare benefits and services such as social security, education and health services (Blakemore, 1998: 25-26). On the other hand, equality of outcome means a decrease in economic differences between people, by way of national intervention; for example, the government's social policy. For instance, as a result of national intervention, their incomes, housing space and educational achievement might be maintained at the same level as in the past (Manning, 2007: 85).

The concept of equality of outcome needs to be mentioned when considering the spirit of social justice. However, since 'equality in outcome' can also mean 'inequalities in opportunity', the two things would be contradictory (Labonte, 2004: 119). Since equality of opportunity is a neo-liberal idea, policies for equality of opportunity have been adopted by many countries as a way of achieving the goal of 'social inclusion' (Labonte, 2004: 119).

In sum, equality of opportunity means the freedom to pursue one's individual interest or vocation without being restricted on the basis of personal characteristics. Equality of outcome is a completely different concept. While, equality of opportunity means that all members of society should start the race from the same line, equality of outcome means ensuring that everyone will finish at the same line (Cooray, 1996: 1).

Inequality in old age

The inequality that affects older people is classified in three dimensions: inequality among those who are in the same generation but in different group, intergenerational inequality, and unequal experiences over the lifetime of each individual (Age Concern & Help the Aged, 2009: 3).

First, inequality within the same generation is the most basic topic when considering the nature of inequality. This stresses the background and life experience of older people (Age Concern & Help the Aged, 2009: 6). Equal opportunity may exist in law, but older people have no chance to use (scope for) their abilities. According to Age Concern (2009: 6), it is important to avoid making some groups worse off. Second, the perspective emphasising the inequality of coexisting generations (older and younger) places more value on equity among different generations. Each generation has had over their lifetime and tends to seek to evade disadvantage at the expense of another generation (Age Concern & Help the Aged, 2009: 7). Third, the unequal experiences in the life course of each individual should consider older persons own interests during their lifetimes and seek to avoid making old age much worse off than unhappy experience such as in their childhood (Age Concern & Help the Aged, 2009: 7). All things considered, for the settlement of inequality, harmony and cooperation between generations and between individuals would be a solution.

As far as income inequality is concerned, the overall level of poverty tends to decline in later life, but the income inequality of older people tends to increase. Also, the income gap between the highest and lowest social classes is likely to become wider, particularly, for people over 65 years old (Age Concern & Help the Aged, 2009: 5).

When we consider income inequality, we should also mention population ageing.

First, population ageing makes the issue of inequality more serious (Lee So-Jung et al., 2008: 23). The increase of life expectancy tends to make older people's economic situation worse, because there is a greater likelihood for older people to be excluded from labour or social security benefits including various kinds of pension scheme. As a result, the longer people live, the greater inequality becomes. Second, the sense of inequality extends especially among older people, because the effect of cumulative inequality over their whole life begins to appear as they grow old. Income inequality is more likely to reach its peak before and after the beginning of old age. Also, older people have a tendency to consume rather than to earn money. As the differences in consumption patterns become more visible, the extent of inequality seems to be larger than what they experienced when they were young. Thus, we can say that inequality is more serious for older people than for any other age group (Lee So-Jung et al., 2008: 24). Third, the structure of opportunities is diminished. Usually, in later life, paid work and earnings are very significant in determining whether or not they become poor and unequal (Price & Ginn, 2006: 78).

In later life, older people cannot undertake earning activities because the labour market situation is unfavourable to them. In other words, their income is much lower than their previous earnings. Accordingly, government actions are required to alleviate this severe income inequality.

In general, old age needs to be understood as part of an older person's whole life course. Thus, the approach taken by many researchers is quite different from the general thinking of 'ordinary' people. The most significant attempt to illuminate old age income inequality is the multi-dimensional approach. More than anything else, the incomes of older people are affected by the social security system. Besides their individual life course and social risks like unemployment, retirement and the death of a spouse are the reasons for

income inequality (Lee So-Jung et al., 2008: 38). Those who can work, such as the work-able young and middle-aged, chiefly obtain their income by labour, while some older people have a wide range of income sources such as public pension, private income transfer and retirement allowance including earned income in the labour market (Crystal & Waehrer, 1996). To sum up, the events during a person's life course are fundamental to the analysis of the income inequality of older people.

Income inequality in Korea

With regard to Korean older people's income inequality, we need to understand the fact that they are a very vulnerable age group. Also, their unstable livelihood has a big influence upon income inequality. As Table 3-1 shows, in 2000, for the bottom 20% of elderly households, earned income, business income and estate income form only a third of total income, whereas for the top 20% of elderly households, earned income, business income, and estate income account for over 70% of total income. This means that the higher income class relies on earned, business and estate income. Moreover, their income sources are more varied than those of the lower income class.

Table 3-1 Elderly household's income inequality: Comparison by income quintile

	1996		2000	
	Bottom20%	Top 20%	Bottom20%	Top20%
Income proportion				
Earned, business income	9.4	47.2	18.8	49.0
Estate Income	6.6	31.5	14.5	21.7
Private income transfer	62.5	9.6	48.3	14.4
Public Pension	.0	10.7	.4	12.5
Social security	21.4	1.1	24.2	2.9
Average monthly income	200,000 KRW	2,829,000 KRW	185,000 KRW	2,805,000 KRW

Note: The definition of ‘elderly household’ is that the household consisting of older people who are aged 65 and over.

Source: National Statistical Office, Survey of Household Spending (1996, 2001)

For the bottom 20% of older households, the private income transfer was 48.3% which was almost half of total income. This means that the change of private income transfer deeply affected their poverty status. On the other hand, for the older households which belonged to the top 20%, the private income transfer was just 14.4 % in 2000. In addition, in the case of public income transfer, the bottom 20% of households usually relied on social security such as public pensions and public assistance. However, the top 20% of households were typically dependent only on the public pension (Ku In-Hoi, 2006: 78-79).

Overall, top earners had two or three times more earned and business income; moreover, the gap between the two income groups was enlarged in public pension. Also, the top 20% had nearly ten times more monthly income than the bottom 20%. Thus, there was a substantial income gap and income inequality in Korean society before and after the 1997 financial crisis.

Table 3-1 also shows polarisation among elderly households continued before and after the 1997 economic crisis. The concept of polarisation is that income groups are divided with the gap between the top and bottom getting bigger. This hinders social integration and ultimately hampers economic growth (Yoo Kyung-Zoon, 2012: 1).

The 1997 financial crisis and subsequent economic reforms made the income distribution worse by intensifying casualisation of work and polarising income (Shin Kwang–Yeong, 2008: 77). Research on growing income inequality showed (shown) this is a serious problem especially among almost all age groups. This trend is not temporary but structural.

(Kim Jae-Ho & Jung Ju-Yeon, 2012: 424).

More narrowly, if we look only at older people, they have been affected by the problem of inequality significantly. Thus, older people's inequality should be noted by social policy researchers (Kim Jae-Ho & Jung Ju-Yeon, 2012: 422). According to Kang Sung-Ho and Im Byeong-In's survey (2009), the beneficiaries' class of public pension has a higher level of income compared with non-beneficiaries' class. Furthermore, the distribution for those of real estate and financial assets and the degree of polarisation for older people who the benefit is better than for those who do not receive benefits. After the 1997 financial crisis, the collapse of the middle class means that polarisation is continuing between those on high incomes and those on low incomes. This phenomenon is hard to establish through existing analytical methods such as the inequality index and poverty index owing to the indication of limitation in income inequality index (Gini-coefficient). The polarisation index such as ER index or Wolfson index is more useful (Shin Gwan-Ho & Shin Dong-Gyun, 2007).

Table 3-2 Poverty rate of elderly household by age and gender (the year 2000)

	65-69 years old N (%)	70-74 years old N (%)	75 years old and over N (%)
Total	24.1 (39.5)	43.7 (21.4)	63.7 (27.1)
Male	16.5 (25.8)	28.3 (9.5)	50.0 (12.0)
Female	38.4 (13.7)	56.0 (11.9)	74.5 (15.1)

Source: National Statistical Office, Survey of Household Consumption (2001)

The poverty rate increases with age. However, by gender, older women are more likely to be in poverty. Table 3-2 shows and emphasises polarisation between elderly households indirectly. In short, the elderly household can be divided into three groups.

The income trend of elderly and non-elderly households is set out in Table 3-3. The results of analysis show that non-elderly people have incomes twice that of elderly people, in the case of market income. Particularly, non-elderly people's average income increases by 2.05% between 2005 and 2009 whereas that of elderly people was 1.78%. Thus, the increase rate was also low. Looking at ordinary (current) income, in 2007, for older people, there was a decrease in market income, which they have difficulty in recovering. The public income transfer fills the gap between the two. Disposable income shows a similar income trend (Lee Kyung-Jin, 2011: 20-21).

Overall, the income of elderly households is less than 50% of non-elderly households. This means that the poverty rate of older people is high and income (poverty) gap is wide. As older people leave the workforce, their income declines (Lee Kyung-Jin, 2011: 23). Moreover, this illustrates the income inequality among elderly households is serious because the division of job (segmented labour market) make it worse when they get a new job. Formation of far-reaching low paid work is the main reason of polarisation between elderly households.

Table 3-3 Elderly household and non-elderly household's income trend

		The whole	Non-elderly	Elderly
Market income	2005	1,870	1,998	916
	2006	2,179	2,323	1,221
	2007	2,167	2,349	1,064
	2008	2,205	2,342	1,094
	2009	2,268	2,414	1,079

Note: unit is 1,000 KRW (monthly), income is average income.

Market Income means that Total income before tax minus income from government sources.

Source: Korea welfare panel, 1-5 years raw data.

In the Table 3-3, the average income in terms of market income for non-elderly

household shows a consistent increase except for the year 2008. However, elderly households have declined apart from the first year 2005 and market income rose in 2006 and it declined quite a lot in 2007, however, it increased in 2008 but after that, it decreased again in 2009.

Table 3-4 Gini-coefficient of urban household by family type

		2003	2004	2005	2006	2007
Gini-coefficient	The whole	0.327	0.330	0.333	0.337	0.342
	Elderly household	0.581	0.521	0.484	0.492	0.505
	Single-mother household	0.383	0.383	0.400	0.412	0.383
	Double-income household	0.263	0.267	0.271	0.273	0.277
	General house hold	0.333	0.339	0.339	0.341	0.344

Source: National Statistical Office, Urban household survey original data, 2003-2007

Through the Gini-coefficient, the index of traditional income inequality, Table 3-4 shows Korea's level of income inequality by family type. By and large, elderly households and single-mother households are in the most serious situation in term of income inequality. In 2003, the Gini-coefficient was 0.581 for elderly households, and in 2006, it was 0.412 for single-mother households.

Poverty and Social Exclusion

The concept of social exclusion

The term 'social exclusion' originated from Weber and has had a political usage rather than a sociological one (Daly & Saraceno, 2002). The concept of social exclusion was first used in France. 'Les exclus' means 'the excluded' who are the targets of welfare, in particular those who have fallen through the net of social protection- in the 1970s, including groups such as the disabled, the unemployed, and lone parents (Evans, 1998) (Burchardt, 2000: 385). Those who are outside a certain (specific) security net can be regarded as being excluded from society. Social exclusion puts people in remote and peripheral situations. This concept has significantly influenced social policies and poverty research in European countries. From this point of view, the important thing is to include the socially excluded in a social community through overcoming the social problems that are the causes of social exclusion.

In the recent dispute over poverty and disadvantage, the important point to note is the use of the term 'social exclusion'. This notion plays a pivotal role in identifying the central issues concerning poverty and other disadvantages in the political discourse. Since it began to

be used especially by both the European Commission and EU national governments, this term has become well-known (Barnes et al., 2002: 5). It has been used in social policy for almost two decades; it came to prominence in political discourses in Britain (Levitas, 2000: 357).

The 'socially excluded' are understood as being a group outside mainstream society, and are sometimes said to be 'outside society' itself. In this context, there is an implication that inequalities between the included are much less important than the division between insiders and outsiders. However, the division between rich people, particularly the property-owning class, and the majority of the population is not obvious. Townsend pointed out the importance of the relationship between the problem of social exclusion and that of social polarisation (Levitas, 2000: 358).

Among other things, the concept of relative deprivation is related to social exclusion (Walker, 1997: 38). Poverty as described as relative deprivation is similar to the characteristics of social exclusion. This implies that in any society there are members who are not able to undertake the customary behaviour, or who are not allowed to consume the items which are usual in a society. Thus, we should remember the denial of access to, the roles, relationships and forms of consumption that are considered as customary in any society (Walker, 1997: 38).

Definition and constituents of social exclusion

Social exclusion is not only an academic term but also a real problem in the context of politics and policy. Thus, it should be discussed along with the problem of poverty. Social exclusion can be defined in a variety of ways. Researchers who study social exclusion are likely to use the concept without detailed discussion of its meaning (Moon Jin-Young, 2004:

258). In fact, the concept of social exclusion is a vague one, and includes various dimensions such as economic, social, political and cultural factors. In addition, the causes of social exclusion are many, and the effect of their interaction makes exclusion more serious (Silver, 1994: 536). This definition is comprehensive when we evaluate the characteristics because its range is extended to political and cultural areas.

By and large, social exclusion can be understood as a dynamic process by which people are isolated and separated from one society's mainstream or moral basis (Castle, 1990). Even if social exclusion is dynamic, we need to consider the cross-sectional situation that people can be marginal to as well as excluded from society.

To define it more precisely, social exclusion means the process by which people are disconnected from the society and the community because of the characteristics they have, such as low income, age, and poor education; if there is discrimination against these people, we can call it social exclusion (Baldock et al., 2007: 29). This definition has the strength that those who are excluded have their own features especially in terms of poverty, low academic background and low income.

The notion of social exclusion makes it possible not only to stress differences in resources between persons and groups, but also to investigate the important issues of autonomy and dependency. The concept of social exclusion provides a structure for looking at the social relations of power and control, and the process of marginalisation and exclusion in complicated and multi-faceted ways. Thus, 'such social and cultural injustices are seen to be formed by inequalities of gender, race, ethnicity, sexuality, age and disability' (Barnes et al., 2002: 6). Social exclusion should be identified as a form of dependency. In fact, regardless of deprivation of material and economic resources, it has been explored to illuminate some specific group's dependency.

New Labour's Social Exclusion Unit (SEU) established in 1997, described social exclusion as a 'short-hand label for what can happen when individuals or areas suffer from a concentration of linked problems such as unemployment, poor skills, low income, poor housing, high crime, bad health and family breakdown'. The purpose of the SEU was to develop organized policies to examine social exclusion without any financial help from government and to help government departments use funds more efficiently. Also, the government's annual Opportunity for All (OfA) announced more than 50 (fifty) indicators, which included not only low income but also educational achievement, mortality rate, smoking, teenage pregnancy, labour status, housing, rough sleeping, drug use, pension scheme membership, worry about crime, burglary rates, and fuel want (Hills,2004: 53). Earlier than OfA, the independent New Policy Institute (NPI) published fifty 'poverty and social exclusion indicators'. The NPI indicators include low income, taking of means-tested benefits, joblessness, low wages, low educational background, shortage of training, parental divorce during their children's childhood, teenage conceptions, drug use, physical and mental health issues (matter), mortality and suicide, housing environment, lack of financial services, and dissatisfaction with the local area (Hills, 2004: 53). A number of indicators are useful for addressing social exclusion. However there is the problem that many of the indicators are redundant.

According to Atkinson and others, social exclusion can be evaluated in the following five principal areas, which are suggested by the European Union: material deprivation (including low income), shortage of education, non-productive role, bad health, and poor housing (Atkinson et al., 2002: 70). This evaluation needs to be made universal because of the importance of the problem in countries outside the EU.

Typology of Social Exclusion

It is important to know the differences between poverty and social exclusion. Room (1995) claims that social exclusion is different from poverty in the following way; social exclusion is a wider concept than poverty, and much more dynamic. Social exclusion can be observed from the individual to the family or household and local community. In addition, it has many features such as taking part in some society, skills and inclusion instead of being concerned only with finance.

There is a need to consider diverse approaches to studying social exclusion. First of all, according to Levitas (2000), we have the redistributive discourse (RED) that comes from critical social policy, which views social exclusion as a result of poverty. Central to the RED approach is the view that, since social exclusion is the consequence of poverty, benefits are the most easy and simple way to decrease the exclusion. Secondly, there is a social integration discourse (SID). Much of current policy is rooted in a different model of social exclusion. Its key element is labour force attachment. Finally, there is a moral underclass discourse (MUD). This perspective highlights the moral and cultural reasons for poverty, and relates poverty to the moral hazards stemming from 'dependency' and thus to non-working households instead of individual labour-market attachment (Levitas, 2000: 359-360).

From other perspectives, social exclusion can be understood as follows. Borrowing from Kuhn's idea of the paradigm, Silver (1994) suggests three paradigms of social exclusion. Firstly, the social solidarity paradigm explains that exclusion is created when solidarity between individual and society breaks down (Silver, 1994: 539-543). In this respect, social exclusion is quite comprehensive. Secondly, the divergence paradigm is based on Anglo-American liberalist thought. From this point of view, social exclusion is regarded as a result

of social divergence, economic labour separation and the separation of areas based on individual difference causing divergence between market and social group. Thus, the abolition of discrimination is suggested as the solution to social exclusion. Thirdly, the exclusive possession paradigm stems from European leftist and social democratic thought. It is understood that social exclusion is the result of the collective form of monopoly. This highlights the concept of social closure as well. This perspective stresses citizenship, the expansion of equal rights for members of society, and community participation to overcome social exclusion (Silver, 1994: 539-543).

On the other hand, Paugam's typology is less theoretical and abstract than Silver's and focuses more on the difference by nation and empirical analysis of reality (Shim Chang-Hak, 2001). Paugam's view is that poverty is the direct expression of the problem of exclusion in the social dimension. This applies to various analyses of exclusion and poverty. In this regard, he presents three types of poverty: integrated poverty, peripheral poverty, and disqualification poverty. Firstly, integrated poverty is related to the conventional problem of poverty rather than pure social exclusion. This usually refers to long-lasting poverty instead of specific social groups. Secondly, in peripheral poverty, the dispute over poverty is concerned with not a group of people (parties) who are related to peripheral, but people who have common interest regarding the benefit. This type has been found in advanced industrial society. Finally, disqualification poverty is more likely to be concerned with the social problem of exclusion than with poverty (Shim Chang-Hak, 2001:186-188). All things considered, this typology makes a difficult concept much easier to understand.

Types of Social Exclusion

Researchers usually classify the types of social exclusion in the following way. One is exclusion in terms of income. Typically, this sort of exclusion means impoverishment. In a society poverty is a situation in which it is not easy to maintain a livelihood or a minimum standard of living needed to enjoy life and is very serious. Income poverty has a big influence not only on the individual but also for the family they belong to, and even on their communities.

However, exclusion in terms of income cannot explain problems concerning poverty. For a more analytical understanding of the range of social exclusion, a rather wider interpretation is needed. For example, the vulnerable people who are excluded from pensions, public assistance and welfare services should be monitored and examined from a multi-dimensional viewpoint (Kim An-Na et al., 2008: 76).

There are terms and indicators to explain data on income related exclusion. Korean researchers usually mention the poverty rate (median income), and income distribution (Gini-coefficient) (Kim An-Na et al., 2008: 80).

Along with income, labour is also regarded as an important factor in providing the members of a society with their position and status. Social exclusion is determined by labour situations people face. It also answers the question of why ordinary people and the vulnerable are excluded from the society in which they must participate. Since exclusion from labour has a long-term effect on income and domestic economy, and furthermore hinders the activities required for various forms of social participations, it should be dealt with first (Kim An-Na et al., 2008: 105). Recently, European countries have presented the problem of social exclusion. They have had trouble in solving the problems of unemployment and low wages and precarious employment. Social exclusion has thus become a main concern; some societies still have unemployment, whereas others have problems of low paid job and job insecurity

(Kim An-Na et al., 2008: 105). Even in the 21st century, crises of labour are quite serious matters.

The flexibility of labour means that many workers have unstable jobs and this trend reduces job security. All things considered, the biggest social threat is the exclusion of labour. Also, commodification can be understood as a disadvantage for ordinary workers to participate in terms of the bargaining power of labour.

Table 3-5 Final indicators of exclusion from the labour market

	Basic indicator	Sub-indicator
The whole indicator	Employment rate	Female employment rate
Unemployment	Unemployment rate	Long-term unemployment rate New unemployment rate Unemployment experience(frequency)
Income	The ratio of low-wage (paid)workers The ratio of low income of the self-employed The ratio of non-regular workers	The ratio of female low-paid workers The ratio of youth low - paid workers
Employment instability	The ratio of non-regular job(employment)	The ratio of temporary workers

		The ratio of special workers
Industrial relation	The ratio of trade union formation	The ratio of applications for trade agreements
Working poor	The ratio of working poor	The ratio of poverty class by job position
Social insurance	Social insurance subscription rate	Social insurance subscription rate -by the state of employment -by job position
Subjective indicator	The degree of job satisfaction	The degree of satisfaction about income, job security

Source: Kim An-Na et al. (2008: 119) A Study of Support for the Socially Excluded toward Social Integration

The PSE survey suggests three dimensions of exclusion: service exclusion, labour market exclusion and exclusion from social relations. Their characteristics are explained briefly below.

Firstly, service exclusion means a lack of access to essential public services such as electricity and water supply at home, and public transport, shopping facilities and financial services outside the home. Utilities play an important part in people's lives. For poor people, life would be even more uncomfortable without them. Disconnection from utility services would make life more difficult for people who have long-term illness, women with children,

and the jobless (Joseph Rowntree Foundation, 2000: 56).

Next, there is the exclusion from the labour market. Individual and household exclusion from the labour market was identified from the General Household Survey data of PSE. Individual attachment is important not only because it is a method to earn a proper and adequate income, but also because paid work is the way to be included in social contacts or interactions. If a person does not join in paid work, she or he will be at risk in their ability to maintain their income (Joseph Rowntree Foundation, 2000: 54).

Finally, there is exclusion from social relations. This type of social exclusion can be examined in various ways: not taking part in ordinary social activities, isolation, shortage of support, disconnection and confinement (Joseph Rowntree Foundation, 2000: 59). Firstly, non-participation in common social activities can be described as follows. People who are classified as outsiders are definitely excluded because of their shortage of money. There are also people who are excluded because they are detached by a particular impoverishing mechanism. We can call this social phenomenon 'social exclusion' as well, but according to a PSE survey, it refers to a limited range of social activities such as visiting family and friends or celebrating on special occasions (Joseph Rowntree Foundation, 2000: 60-61). Secondly, concerning isolation, respondents in the PSE survey were asked about the frequency of seeing and speaking to close family members or friends, face-to-face or by telephone, which is an indicator of social exclusion. In terms of contact with family or friends, the survey could not find any differences between those in work and those who were economically inactive (Joseph Rowntree Foundation, 2000: 62-63). Thirdly, with regard to shortage of support, one indicator of the existence of functioning social relationships and networks is the amount of practical and emotional help received from close people in times of adversity (Joseph Rowntree Foundation, 2000: 63). Fourthly, disengagement is rather a difficult term, and

needs to be translated into the term 'separation'. The lack of participation in civil society constitutes the significant experience of social exclusion. Finally, confinement means the state in which people cannot move around freely. In addition to factors such as affordability, responsibility for childcare, old age, disability and illness in data, other factors are involved that leave people substantially confined to their homes and reduce their level of activity (Joseph Rowntree Foundation, 2000: 65).

Social Exclusion in old age

Increased longevity and the changes in family welfare are huge problems facing older people in modern society. Meanwhile, basic existence, care and health matters have dominated older people's welfare, but the recovery of lost social status and roles has been an urgent task with regard to the whole structure of adult (elderly) welfare. In general, older people have been regarded as helpless, powerless, and even useless in many societies. The appearance is given that industrial societies no longer want older people because of their loss of productivity. To make matters worse, in industrial societies unlike traditional societies, their position is often unstable and isolated from the mainstream community (Kim An-Na et al., 2008: 171).

Social exclusion is another challenge for older people and policy-makers. Usually, the social exclusion of older people can be thought of in several dimensions: income, labour market, housing, health, social activities, and relationships. As they grow older, older people are likely to experience social exclusion in several areas.

If we look at the factors in social exclusion, older people who care for their grandchildren are exposed to economic exclusion, whereas older people living in cities face

labour and housing exclusion. Exclusion from education, health services and social activities has influenced vulnerable elderly poor households. Therefore, older people who reside in city areas need more jobs and housing assistance, while for education, health and social activity, there is a need to give priority to the households of poor older people (Kang Hyun-Jung & Kim Yun-Jeong, 2011: 332).

Despite the desire to work, old people cannot find employment. Meanwhile, older women have experienced more multi-dimensional exclusions than older men, except with regard to the labour market (Kim An-Na et al., 2008: 211). While economically inactive older people have experienced exclusion in the areas of income, health and relationships, economically active older people have experienced exclusion in the areas of housing and social activity (Kim An-Na et al., 2008: 212).

Social exclusion in Korea

In Korea, the most prominent example of social exclusion is the limitation of eligibility or entitlement to the National Basic Livelihood Security System (NBLSS) in terms of support obligations and asset standards. Even though their income is under the poverty line and in fact, they are poor people, they cannot receive benefits. That means the system has a wide range of excluded people. Also, the National Pension Scheme (NPS) and National Health Insurance system has operated in such a way that if people in poverty stop paying their contributions, their disqualification will threaten their ability to cope with social risks for contingencies. Thus, when they most need this benefit from the state, they are excluded. In other words, they experience monetary poverty and this makes social exclusion worse (Seo Byung-Soo, 2004: 736).

More fundamentally, the social exclusion indicator of Korea is close to a liberal welfare regime. That is, the poverty rate and income multiplier rate are quite high, in other words, the society is unequal and contains many poor people, but the unemployment rate is rather low. A social phenomenon like this can be interpreted in two ways. Firstly, in Korea, the social protection level for jobless people is so minimal that they cannot rely on the social security system. For this reason, they are likely to be re-employed on lower wages or to start a low-paid self-employed job. This phenomenon can be understood as the enlargement of a working poor including non-regular work. Secondly, the scale of the discouraged unemployed who give up looking for jobs after experiencing unemployment and going through a series of jobs is so large that the poverty rate is high whereas the unemployment rate is shown to be relatively low in terms of statistics in comparison with other countries (Moon Jin-Young, 2010: 101).

In Korean society, the need for improvement of income-related social exclusion indicators such as income inequality and poverty that refer to all types of social exclusion is urgent. Moon Jin-Young (2010: 102) argues that a national strategy is required in order to solve these problems.

What evidence is there of social exclusion?

The main reason for the impoverishment of older people is the increase in the number of vulnerable people who lack economic resources and are excluded from social security benefits as well as social relationships. In particular, the older people who did not have a chance to get a good education are likely to be poor because of their low employability. The changes associated with industrial structure and family disintegration can be pointed out as

the structural causes of poverty. This explains why there are many older poor despite the high rate of economic growth in Korea.

Yoon Sung-Ho (2008) classifies social exclusion as the following four ways. Firstly, possession exclusion (exclusion from ownership) means that poor people have insufficient material possessions. Secondly, consumption exclusion (exclusion from consumption) means that poor people have less purchasing power than other people. Thirdly, social relation and participation exclusion (exclusion from social relations and participation) means that people have been excluded from family, relatives and even their local community. Finally, production exclusion (exclusion from production) means exclusion from the labour market, i.e., the state of unemployment.

Possession exclusion

Except in the year 1999, there is a significant difference between males and females with regard to the experience of possession exclusion. Almost 43.6% of women experienced exclusion in 2001, indicating that women are far more excluded than men. Of those who were under 30, and 37.1% experienced exclusion in 1999. This age group has experienced much more exclusion than other age groups. According to educational background, for high school dropouts, the extent (rate) of exclusion was 33.4% in 2000. The shorter the school career, the more likely people are to be excluded. Employment type has also influenced possession exclusion. For example, the exclusion rate of non-regular workers was 48.5% in 2002 which indicates that non-regular workers experienced more exclusion than regular workers.

Table 3-6 Possession Exclusion (%)

Possession		1999		2000		2001		2002	
		Non Ex	Ex	Non Ex	Ex	Non Ex	Ex	Non Ex	Ex
Gender	Male	67.4	32.6	69.3	30.7	69.0	31.0	67.8	32.2
	Female	64.2	35.8	56.8	43.2	56.4	43.6	58.5	41.5
Age	below 30s	62.9	37.1	62.4	37.6	62.5	37.5	62.6	37.4
	40s	66.2	33.8	68.3	31.7	64.8	35.2	64.1	35.9
	50s	71.2	28.8	73.0	27.0	73.1	26.9	72.5	27.5
	Above 60s	69.5	30.5	67.4	32.6	68.0	32.0	66.7	33.3
School career	Under Mid school	60.3	39.7	59.5	40.5	59.9	40.1	59.3	40.7
	High-school	65.1	34.9	66.6	33.4	64.9	35.1	63.5	36.5
	Further Education and more	79.5	20.5	80.6	19.4	77.8	22.2	79.0	21.0

Employment type	Regular worker	73.4	26.6	76.3	23.7	70.5	29.5	71.5	28.5
	Non-regular worker	52.3	47.7	54.2	45.8	56.2	43.8	51.5	48.5

Source: Yoon Sung-Ho (2008)

Consumption exclusion

The proportion of females who experienced consumption exclusion in 2000 was 42.7% whereas only 19.4% of males experienced it in the same year. Among the under-thirties (30s), 13.6% experienced this exclusion in 1999, and among those in their 40s, 12.9% experienced it in that year. As Table 3-7 shows, this figure is similar to that for the younger age group. On the other hand, among those aged 60 and over, 53.8% experienced exclusion in 2002. If we look at educational background, those who only attended (went to) lower than middle school experienced substantially greater consumption exclusion, implying that school career was a significant factor. Finally, if we look at employment, 30.2% of non-regular workers experienced exclusion whereas only 7.8% of regular workers did.

Table 3-7 Consumption Exclusion (%)

Consumption		1999		2000		2001		2002	
		Non Ex	Ex	Non Ex	Ex	Non Ex	Ex	Non Ex	Ex
Gender	Male	82.9	17.1	80.6	19.4	82.0	18.0	81.4	18.6
	Female	60.0	40.0	57.3	42.7	58.4	41.6	58.1	41.9
Age	below 30s	86.4	13.6	84.9	15.1	89.9	10.1	89.7	10.3
	40s	87.1	12.9	85.8	14.2	86.4	13.6	86.7	13.3
	50s	82.9	17.1	81.2	18.8	80.7	19.3	82.9	17.1
	Above 60s	52.8	47.2	49.6	50.4	49.7	50.3	46.2	53.8
School career	Under								
	Mid	63.0	37.0	59.7	40.3	59.5	40.5	55.7	44.3
	school								
	High-school	85.9	14.1	83.3	16.7	85.9	14.1	86.5	13.5
	Further								
	Education	93.6	6.4	92.6	7.4	93.6	6.4	93.0	7.0
	and more								

Employment type	regular worker	93.7	6.3	94.2	5.8	92.6	7.4	92.2	7.8
	Non- regular worker	71.3	28.7	77.5	22.5	70.8	29.2	69.8	30.2

Source: Yoon Sung-Ho (2008)

Social relations and participation exclusion

Gender is important to an understanding of social relation and participation exclusion. The data show that 16.4% of men and 29.3% of women experienced this form of exclusion in 1999. Social relation and participation exclusion was highest in the group aged 60 and over; the figure was 24.6% in 1999. This means that older people are susceptible to the failure of social networks, including family, relatives and the local community. If we look at educational background, people who experienced exclusion had less successful school careers. For example, 29% of those who attended lower than middle school experienced exclusion in 2001. If we look at employment non-regular workers are more vulnerable to exclusion; for them, the exclusion ratio was 31.8% in 2002.

Table 3-8 Social relation and participation exclusion (%)

Social relations and participation		1999		2000		2001		2002	
		Non Ex	Ex	Non Ex	Ex	Non Ex	Ex	Non Ex	Ex
Gender	Male	83.6	16.4	83.5	16.5	80.7	19.3	83.1	16.9
	Female	70.7	29.3	74.0	26.0	74.3	25.7	75.7	24.3
Age	below 30s	85.8	14.2	86.5	13.5	85.3	14.7	87.5	12.5
	40s	81.3	18.7	80.5	19.5	80.1	19.9	79.9	20.1
	50s	79.9	20.1	80.8	19.2	78.9	21.1	81.8	18.2
	Above 60s	75.4	24.6	77.5	22.5	72.1	27.9	76.1	23.9
School career	Under								
	Mid	74.3	25.7	75.3	24.7	71.0	29.0	72.9	27.1
	school								
	High-school	82.3	17.7	82.6	17.4	81.6	18.4	82.9	17.1
	Further Education and more	90.8	9.2	91.1	8.9	89.9	10.1	92.4	7.6

Employment type	Regular worker	89.5	10.5	92.0	8.0	88.4	11.6	90.0	10.0
	Non-regular worker	71.2	28.8	74.0	26.0	68.5	31.5	68.2	31.8

Source: Yoon Sung-Ho (2008)

Production Exclusion (labour market)

The proportion of females who experienced production exclusion in 2001 was 52%, whereas only 24.4% of men did so in the same year. If we look at age, 65.2% of people over 60, who are usually in a vulnerable position in the labour market experienced the production exclusion in 2002, a much higher rate than that of people in 30s (13.7%). If we look at educational background, people who attended lower than middle school experienced the most serious rate of exclusion (49.7%) in 2002. Finally, by (if we look at) employment type, the exclusion rate of non-regular workers was 37.6% in 1999 whereas that of regular workers was 8.1% in the same year.

Table 3-9 Production Exclusion (%)

Production		1999		2000		2001		2002	
		Non Ex	Ex	Non Ex	Ex	Non Ex	Ex	Non Ex	Ex
Gender	Male	74.9	25.1	75.5	24.5	75.6	24.4	75.3	24.7
	Female	49.3	50.7	49.5	50.5	48.0	52.0	50.3	49.7
Age	below 30s	83.5	16.5	85.0	15.0	83.9	16.1	86.3	13.7
	40s	78.8	21.2	79.3	20.7	81.9	18.1	81.8	18.2
	50s	72.3	27.7	74.4	25.6	75.7	24.3	76.5	23.5
	Above 60s	37.3	62.7	38.3	61.7	35.8	64.2	34.8	65.2
School career	Under								
	Mid	52.6	47.4	54.2	45.8	53.3	46.7	50.3	49.7
	school								
	High-school	79.8	20.2	78.5	21.5	78.4	21.6	79.0	21.0
Further Education and more		84.5	15.5	85.3	14.7	84.7	15.3	86.3	13.7
Employment	Regular worker	91.9	8.1	96.2	3.8	89.5	10.5	90.3	9.7

type	Non-regular worker	62.4	37.6	77.8	22.2	63.7	36.3	63.6	36.4
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Source: Yoon Sung-Ho (2008)

From the table above, we can see that Korean older people's lives after retirement are not economically productive (Yoon Sung-Ho, 2008: 130-143). Although the unemployment rate of older people is relatively low (OECD, 2005), many older workers are trying to find a decent job in order to make money.

More recent data suggest other types of exclusion, in financial matters, housing, employment, health and education. These are shown in the table below. The average value of social exclusion (arithmetical mean) and standard deviation were used to analyse the extent of exclusion. In Table 3-10 below, the average value reflecting the whole social exclusion was 0.4660 in 2002 but decreased to 0.4558 in 2006. There is no evidence that demonstrates whether the extent of each form of social exclusion has decreased. Up to the year 2002, the extent of exclusion has increased continuously except for health exclusion, which has diminished. Among all types of exclusion, financial and education exclusion have the highest rates, whereas housing exclusion is comparatively low (Kim Kyo-Sung & Roh Hye-Jin, 2011: 241-244).

Table 3-10 The trends of social exclusion (point)

		2002	2003	2004	2005	2006
All forms of Exclusion	Average prices	0.4660	0.4544	0.4550	0.4547	0.4558
	Standard deviation	0.0026	0.0026	0.0026	0.0025	0.0025
Financial Exclusion	Average prices	0.5157	0.5165	0.5168	0.5138	0.5126
	Standard deviation	0.0045	0.0043	0.0042	0.0043	0.0042
Housing Exclusion	Average prices	0.4101	0.4034	0.4031	0.4013	0.4054
	Standard deviation	0.0067	0.0065	0.0064	0.0063	0.0063
Employment Exclusion	Average prices	0.4198	0.4368	0.4370	0.4411	0.4437
	Standard deviation	0.0051	0.0051	0.0050	0.0050	0.0050
Health Exclusion	Average prices	0.5024	0.4426	0.4417	0.4427	0.4311
	Standard deviation	0.0019	0.0027	0.0025	0.0025	0.0025

Education	Average	0.4924	0.4763	0.4807	0.4896	0.5009
Exclusion	prices					
	Standard deviation	0.0061	0.0058	0.0055	0.0053	0.0051

Source: Kim Kyo-Sung & Roh Hye-Jin, 2011: 241

Conclusion

Poverty can be defined in a variety of ways according to types of inequality and social exclusion. Poverty is not just a matter of subsistence, but also a matter of relative deprivation. Thus, researchers can approach the problem of poverty from various points of view, following their particular research interest. The various concepts of inequality should also be included in the analysis of poverty, with consideration given to the significance of opportunities rather than egalitarianism. Also, the difference between equality of opportunity and equality of outcome should be considered in terms of much more motivated society.

Equal opportunity means that difference should be different in each individual's dimension (different things to different people). Both right-wing and leftist have accepted the concept of 'equality of opportunity'. To put it simply, out of two key words, the political right stress 'the opportunity' whilst, the left highlight 'the equality' (Blakemore, 1998: 26). In fact, Equality of opportunity is a characteristic of the neo-liberal approach. However, this concept would be part of welfare discourse among many political communities including Korean society. For this reason, active social policy is able to be related to both conservative policy and progressive policy and be included the importance of opportunity in terms of equality of

opportunity. This concept can also be applied to the expansion of employment of older workers.

When it comes to redistribution of resources to alleviate income inequality, tax and social security play a key role. Progressive tax and indirect tax should be harmonised. In addition, social security including public assistance and basic pension need to be improved. As well as that, the conceptualization of equity has to be discussed in the academic field and political discourse.

Furthermore, any serious study on poverty should take into consideration the problem of social exclusion; that is, the severance of ordinary social relations or isolation from local community. A way of researching poverty in terms of both individuals and households needs to be developed. Thus, deprivation, a feeling of loss and social inequality experienced by a households rather than an absolute concept of the experience of individual, should be considered as an important focus. This is a relative concept of poverty. In particular, the concepts of deprivation and exclusion stem from the limitation of an income-based poverty measure. Townsend's concept of deprivation has to be understood not in the dimension of an Income poverty line. In this context, achieving a better understanding of social disadvantages must be considered by researchers.

As far as polarisation is concerned, the interest of this social phenomenon is very recent. In the US, the reduction of middle class and polarisation had been identified. In the case of Korea, since the 1997 financial crisis this expression had been used frequently. According to Lee Jung-Woo & Lee Sung-Lim (2001), the concept of polarisation has not been discussed in terms of correct definition or data (bases) (Kim Jae-Ho & Jung Ju-Yeon, 2012: 433).

Chapter 4

POVERTY IN OLD AGE IN KOREA

Introduction

The Korean economy has advanced to the point where other countries judge that Korea has already joined the rank of developed countries by reaching \$ 20,000 GNP per capita (Park Soon-II, 2010:1-2). Korean society has coped well with two financial crises and the characteristics of the economy and society have improved. However, there is still a range of factors causing poverty: for example, the increases in non-regular work since the financial crisis in 1997, the rise of the self-employed poor and the enlargement of the low-wage service sector resulting from the change in the industrial structure.

These new types of poverty have spread primarily amongst urban residents and the existing poverty of vulnerable older people has become worse. As far as the poor are concerned, there have been some good signs such as the low levels of inequality which were achieved under the developmentalism (developmental policies) of the past, and the decrease of poverty through the virtual cycle of employment and economic growth. However, since the IMF financial crisis took place in 1997, the degree of poverty which people experience (effective poverty) has increased. In Chapter 4, we will discuss the official measurement of poverty in Korea and poverty trends since the 1950s. In addition to this, more specifically, we will deal with the meaning of poverty in Korean society.

The Poverty Line in Korea

In Korea, the poverty line has been measured in order to estimate the minimum cost of living from the perspective of absolute poverty. Absolute poverty was measured by means of minimum cost of living based on the survey carried out by the Social Security Committee and the Korean Institute of Health and Social Affairs. However, its accuracy is quite doubtful because the absolute measurement does not reflect the influence of income and the rise in prices, partly because this survey has not often been conducted. In addition, over the past years, the Livelihood Protection Programme (LPP) has been unable to satisfy the needs of recipients and to reflect changes in social conditions (Park Soon-II, 1994: 66). In this regard, various methods for determining minimum cost of living have been developed by many research institutes including the National Statistical Office. Nevertheless, requests to consider poor people's real situations have been ignored.

Subjective poverty

Subjective poverty is defined by people's own subjective evaluation. Thus, subjective poverty depends upon how people feel about their level of income. In this context, the poverty line can be set by asking people such questions as how much they think they need for a minimum standard of living and whether or not they feel poor. However, there are problems in subjective measurement, because such questions cannot easily be asked in the questionnaire. Moreover, researchers' prejudice or bias regarding poverty can be reflected in the actual research. For example, the respondents would answer differently depending upon the way in which the question of the poverty line is written, for example, whether it is defined

as: ‘the minimum cost of living to scrape a living’ or ‘the minimum cost to live a healthy and comfortable life’. Whichever definition, we cannot apply this method to the study of Korean poverty because there is no official statistical data which can be used to analyse subjective poverty (Yoon Sung-Ho, 2008: 33).

Policy poverty

Policy poverty implies the levels of income set by the government in order to select the recipients of public assistance. The major function of the National Basic Livelihood Security System (NBLSS) is to assess older people’s economic situation by identifying the income level, and to establish the eligibility criteria for welfare targets. The policy poverty line is related to the implementation of policy. Living costs based on minimum need are calculated in a similar way. The problem is that policy poverty is susceptible to political factors, dominant values, ideology and the government’s financial power. As far as each country’s policy poverty line is concerned, whereas it is high in social democratic countries in Western Europe, it is low in the USA and less-developed countries (Kim Soo-Hyun et al., 2009: 28).

Official measure of poverty in Korea

The official definition of poverty should be formed by social consensus; that is, by agreement among the people living in the country. As discussed above, there are three ways to consider poverty, in addition to policy poverty: absolute, relative and subjective. When we consider the poverty line and minimum cost of living, ‘poverty line’ means a scientific

estimate of the minimum cost of living that is recognised as being necessary for individuals and households to participate in their society and to avoid the situation of deprivation and exclusion. On the other hand, ‘administrative poverty line’ or ‘minimum income standard’ means the politically adequate standard of the actual minimum cost of living established (for a population in a certain area or the whole population in a given period) by an official administrative tool or other construct.

According to this standard, Korea’s minimum cost of living is the administrative poverty line, that is, the standard of minimum living expense. To put it differently, the minimum cost of living is the administrative poverty line established by the state, and the standard of public assistance and the standard of minimum wage. (KIHASA, 2010: May 25th)

On the one hand, there are two ways to measure the minimum cost of living, the absolute method (Market Basket and Engel method) and the relative method. A representative relative method, the deprivation index assesses the minimum living expense through the concept of ‘relative deprivation’ developed by Townsend. On the other hand, in Korea, the minimum cost of living has been measured by the Market Basket Method which establishes all type of necessities and determines the price of each of them at a minimum level.

The estimated minimum costs of living that were adjusted to changing prices and living circumstances were announced in 1999, 2004 and 2007. The disadvantage of this method is that it relies on experts’ judgments. That is, the necessary items and their minimum level are determined by experts who measure the minimum living expenses (Kim Soo-Hyun et al., 2009: 22-23).

Trends in Poverty: 1950s-1990s

The period of universal poverty in the 1950s

The colonisation by Japan, the conflict over political power after emancipation and the Korean War were key reasons for absolute poverty in Korea. No one could find hope in terms of political, economic, or social progress. In this context, poverty was the problem that every person experienced, regardless of class. Korea was in a very poor condition economically. In such a situation, Koreans' only wish was to escape from poverty.

Immediately after emancipation from Japanese rule and the truce in the Korean War, there were huge shipments of aid such as food, raw materials and fuel, mainly from the USA. But they gave only temporary relief for those who were in absolute poverty. In those days, most people were excluded from the movement to abolish poverty. In 1955, national income per capita was only \$ 65 or 5,300 KRW in Korean currency (Park Soon-II, 1994: 82).

The period of industrialisation in the 1960s and 1970s

At the beginning of the period of industrialisation, the poor usually resided in the countryside. In 1963, most of the urban poor came from the countryside. This can be explained by the fact that the countryside was less developed and had low productivity. The workforce was mainly employed in the agricultural or fishing sectors at that time. During the 1960s, the agricultural regions were already in poverty. The income gap between city and countryside was widened in the 1970s. In this situation, to avoid poverty, many people living in the countryside moved to city areas. However, this population group could not find jobs in

the cities. For this reason, poverty in urban areas increased and its severity far surpassed that of the agricultural regions.

According to Joo Hak-Jung (1979), Korean economic distribution stemmed from the equal allocation of human and material resources. The redistribution of land after the emancipation from Japan and the destruction caused by the Korean War enabled Korean people to start their economic life in a relatively equal situation. This meant that, in those days, the difference between the rich and the poor was not great. More generally, from the 1960s to the 1970s, Korea's income distribution was evaluated as being more or less equal. Korea's economic growth strategy was successful and its sustainable success was accompanied by equitable distribution (Joo Hak-Jung, 1979).

Looking at income inequality in this period, we find that income distribution improved between 1965 and the early 1970s and as a result there was an increase in the standard of living of urban households. Such an improvement was possible because of the sharp increase in employment caused by the expansion of labour-intensive and export-oriented industries. With the economic development, there was some 'trickle-down effect'.

However, from the early 1970s, income inequality (distribution) became worse (more unequal). As the demand for high-quality human resources increased with the diversification of occupations, the income gap became larger than in any other era (Joo Hak-Jung, 1979). However, after that, there was an improvement (a reduction) in income inequality (distribution) from the late 1970s to the late 1980s.

In the industrialisation period, there was a sharp decrease in the poverty rate due to the huge job creation in heavy industry and the chemical industry. Table 4-1 shows the sharp decrease in the poverty rate during this period. The poverty rate in absolute terms was 40.9% in 1965, but this figure dropped to 23.4% in 1970, and later it declined to 14.8% in 1976 and

to 9.8% in 1980.

Table 4-1 Absolute Poverty in the 1960s and 1970s

	Population in poverty (thousands)	Percentages	Poverty rate
1965			
Cities	4,244	36.1	54.9
Countryside	7,505	63.9	35.8
Nationwide	11,749	100.0	40.9
1976			
Cities	3,072	59.1	18.1
Countryside	2,126	40.9	11.7
Nationwide	5,198	100.0	14.8

Source: Seo Sang-Mok (1981), Situation of Poverty and Policy for the destitute,
Seoul: Korea development Institute.

Poverty and income distribution during the 1980s

After the appearance of the new military government, the Korean economy continued to develop and income levels increased consistently. In particular, from 1982 to 1997, median income and average income rose steeply. The median income of urban worker households increased to 64.3% between 1982 and 1988. From 1988 to 1996, the figure rose by 111%. In this period, there was steady economic growth which facilitated the increase in household income. But the income-increasing trend stopped in 1997 because of the financial crisis, and since then it has reversed. From the perspective of relative poverty, we can see that its progress is similar to that of inequality as measured by the Gini-coefficient (Ku In-Hoi, 2006: 28).

As Korea maintained its economic growth in the 1980s, there was a reduction of poverty. However, in the late 1980s, with the democratisation process, there was an awareness of the necessity of social welfare systems such as a national pension scheme and minimum wage system. Such government measures were expected to contribute to the alleviation of poverty. At the same time, there was a growing awareness of the necessity of civil society's participation in the decision-making process. For instance, citizens took part in the policy enforcement committee. Such participation was usually achieved by left-wing party and expert groups (Lee Young-Hwan, 2004:139-140).

Nevertheless, the low level of welfare development, notwithstanding the visible achievements in the economy, shows that the coverage of social security schemes such as the LPP (Livelihood Protection Programme) was minimal, and that many people were excluded from the system (Lee Young-Hwan, 2004: 117).

Poverty since the 1990s

The IMF-determined policy following the financial crisis triggered a rapid increase in the poverty rate. Ku In-Hoi (2006: 30) claims that the consistent economic growth contributed to the decline of poverty. This was partly true in the early 1990s. However, the poverty rate increased significantly in the late 1990s. This was because of the continued stagnation of economic growth during the period of IMF management. There was a decrease in income level and this caused an increase in the poverty rate. The more serious problem was that, coupled with the increase in income inequality and poverty, the general economic and welfare circumstances were aggravated during this period. As a result, the poor living conditions of older people raised the necessity for a welfare policy for this group (Ku In-Hoi, 2003: 24).

According to research results in Western countries, economic growth facilitated the reduction in poverty. This was true in Korea too. Since the start of industrialisation and until the mid-1990s, the continuous economic growth created abundant jobs. As a result, the unemployment rate sharply decreased and the level of wages rose, which caused an increase in overall income levels (Ku In-Hoi, 2003: 27).

Table 4-2 Economic Activity and Unemployment Rates (in thousands)

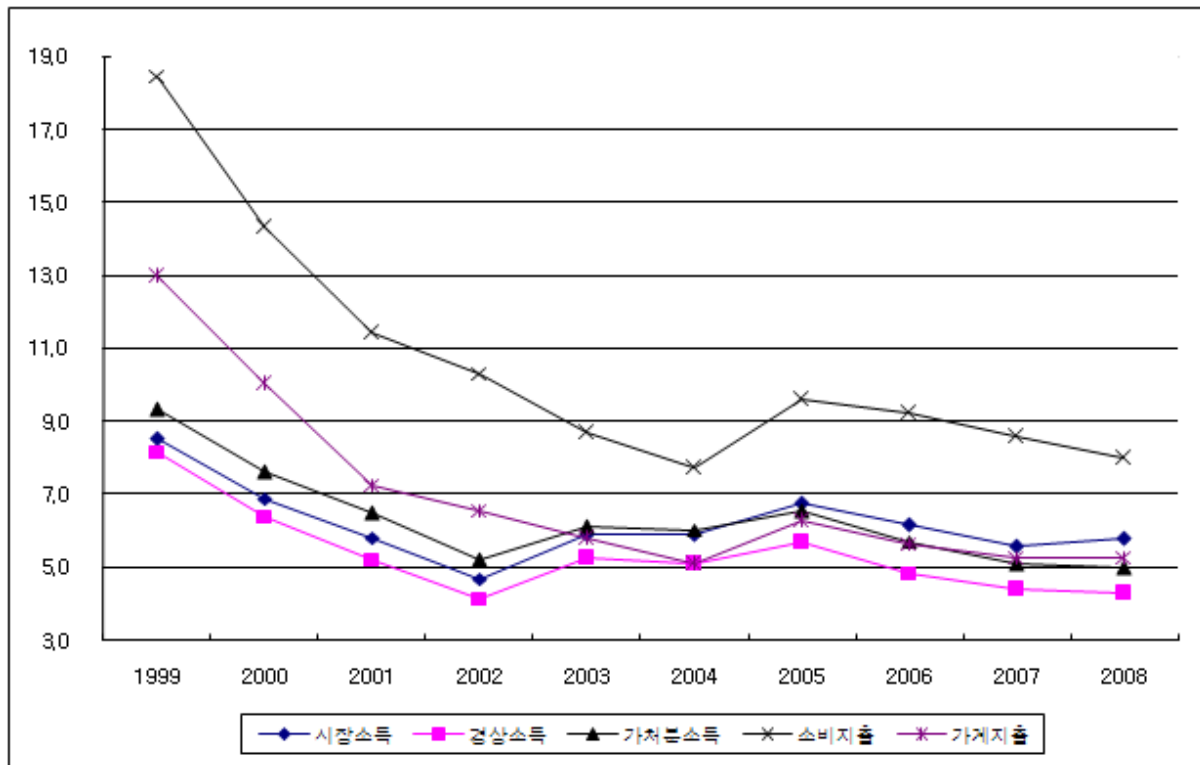
Year	Number of Job-less	Number of economically inactive	Economically active rate (%)	Unemployment rate (%)
1992	490	12,521	60.9	2.5
1993	571	12,720	60.9	2.9
1994	504	12,693	61.6	2.5
1995	430	12,814	61.9	2.1
1996	435	12,986	62.1	2.0
1997	568	13,070	62.5	2.6
1998	1,490	13,919	60.6	7.0

Source: The Bank of Korea, *Economic Statistics Yearbook* (2009)

According to the table above, the unemployment rate was 2.5% between 1992 and 1997, but rose sharply to 7% in 1998. If we calculate the number of the unemployed from the unemployment rate, we can see that the number of people who suffered from unemployment from 1992 to 1997 was approximately 400,000-500,000 but increased by 1,490,000 after the financial crisis.

The real income of urban households could not recover after the financial crisis, although social indicators such as the unemployment rate were almost back to the same level as before. The poverty level also came back to where it was before the IMF financial crisis (Ku In-Hoi, 2003: 28). This shows that poverty after the financial crisis can be interpreted as the result of changes in the industrial structure and family disintegration. Korean society was becoming polarised as the middle class became weaker. But Ku In-Hoi (2006: 40) argues that there was a continuous increase in jobs in the Information Technology (IT) industries and service sectors, which contributed to the improvement of economic equality in Korea. Though there could be different views on the economic situation after the IMF economic crisis, the crucial point is the fact that the poverty rate has diminished gradually.

Graph 4-1 Absolute Poverty Trends (urban workers) (percentage)



Source: National Statistical Office, *Urban Household Survey*

Long term poverty trends: 1950s-1990s

At the beginning of industrialisation there was still far-reaching absolute poverty. In the late 1950s, immediately after the Korean War, absolute poverty was an ever-present phenomenon. During this period, income per capita rose by 0.7% annually. However, from the 1960s, industrialisation was carried out successfully by the government. There was an increase in income owing to the enlargement of job opportunities. This resulted in the continuous reduction of the poverty rate. In summary, the falling trend of absolute poverty

started in the 1960s and continued between 1970 and 1980s. The poverty rate fell rapidly, especially in the late 1960s and the early 1990s. However, the 1997 financial crisis reversed this trend. There was a significant increase in poverty, as shown by the poverty rate of 7.9% in 2000 (Ku In-Hoi, 2003: 26-27).

More specifically, in Korea, as a result of rapid economic growth since the 1960s, the poverty rate declined from 40.9% in 1965 to 14.8% in 1976 and to 9.8% in 1980. The poverty rate in the 1990s was estimated at only 8.3% (Kim Mi-Gon, 2006: 71). Economic growth in Korea was impressive, but the IMF financial crisis in 1997 created a population of people living in poverty, gave birth to social problems, and, moreover caused polarisation (Kim Mi-Gon, 2006: 72).

The Meaning of Poverty in Korea

Low income

Firstly, there are older people who are living on incomes lower than the average older person's income. They cannot help but be thrifty to save money for the maintenance of their livelihoods. By and large, if we consider the types of elderly household income, the commonest type is 'transferred income' and the second commonest type is 'earned income'. The average earned income of elderly households was approximately 4,037,000 KRW per year, whereas the average earned income of non-elderly households was 19,370,000 KRW per year, almost five times that of elderly households (Choi Hyo-Mi, 2007: 73).

Table 4-3 Income of Elderly Households by Type in 2004 (%)

	All households	Alone and one generation Non-elderly households	Elderly Households
Earned Income	85.8	88.5	39.2
Financial Income	11.4	9.2	12.9
Real Estate Income	9.3	3.4	16.9
Social Insurance Income	9.8	3.2	27.6
Transferred Income	41.8	24.8	83.4
Others	4.1	3.9	2.9

Note: income is whether there is or not.

This shows the proportion of each type of household receiving each type of income.

Source: Choi Hyo-Mi (2007) *The Income Sources of Elderly households*

Table 4-4 Average Income of Elderly Households by Type (10,000 KRW)

	All households	Alone and one generation Non-elderly households	Elderly households
Earned Income	2,524.0	1,937.0	403.7
Financial Income	35.9	16.3	45.7
Real Estate Income	173.7	56.3	161.7
Social Insurance Income	55.3	22.5	180.9
Transferred Income	136.9	92.6	295.9
Others	36.3	16.4	53.6

Note: The average income is calculated annually (yearly income).

Source: Choi Hyo-Mi (2007) *The Income sources of Elderly households*

In Korea, poor older people usually depend for their income upon private transfers whereas older people who are not poor receive earned income or business income. Since poor older people usually depend upon inter-family income transfers, their poverty situation becomes chronic. Thus, if older people do not get support from state welfare or from their family, it is very hard for them to maintain the average standard of living. The income gap

between the rich and the poor is widening. If old people do not receive sufficient family support, social protection or other forms of state intervention would be necessary for them to maintain their subsistence. One of the reasons why family support is becoming less available for older people's welfare is the process of family disintegration caused by the breakdown of their adult children's marriage.

Loneliness

The common problems of older people in poverty are that they experience deficiencies and loneliness in their lives. Loneliness originates from the changes in human relationships. In particular, when people grow old and experience the loss of intimate relations, they are most likely to experience loneliness (Shearer & Davidhizar, 1994). Situational and environmental factors influencing human relationships include changes to family structure, social roles and marital status (Peplau & Perlman, 1979). Thus, older people's loneliness is not a pathological phenomenon, but rather the emotional problem resulting from various factors such as a change of social status, loss of human relationships, and retirement. People living alone lose the willpower to play any social role and achieve goals (Oh Sun-Young, 2008: 272).

The number of solitary older people passed one million in 2010, which amounts to 20% of the total older population. The solitary life is a typical problem among poor older people who do not have children or who have lost children, or whose children refuse to support their parent. This means that loneliness is one characteristic of the elderly poor.

For those who have no access to a pension, private transfers are a major source of income. Without them, many older poor people have to depend upon the government's public

assistance. Those without income or family support feel a social distance from others because it is hard for them to obtain information and they cannot communicate with other people. Older people living below the average living standard usually do not have a telephone landline or a mobile phone. Solitary older people have no emotional connection to others including their own family members and other relatives. Thus, it can be said that poor older people are isolated culturally, psychologically and socially.

Ill-health

In general, the older poor tend to be in poor health. To maintain health in old age costs a lot of money in a capitalist society. However, the older poor cannot use money to enhance their health because of poverty. This means that there is health inequality in old age. Therefore, it is a crucial issue to guarantee older poor people the right to access to medical services when they are ill.

Even though health insurance in Korea covers many diseases and the long-term care insurance law has already been passed in the national assembly, poor older people find it hard to use the services covered by health insurance even when they have chronic diseases that need to be treated. Some older people think that they are ill simply because they are old. This explains why illness among poor older people becomes more and more chronic (Thompson, 2003: 129). When they are suffering from chronic illness, they have no chance to escape from poverty. This is a vicious cycle. For the older poor, poverty is the cause of their illness, and vice versa: the older poor may be in poor health and the loss of health may deter them from working, which in turn leads them into economic difficulties. In addition, when they are ill, the medical costs increase the likelihood that they may (will) remain in economic poverty

(income poverty) (Kim Soo-Hyun et al., 2009: 227-228). To sum up, ill health is a major cause of poverty as well as a major effect of it.

Table 4-5 Subjective Health of Older People by Level of Income (%)

Level of Income (KRW)	Very good	Slightly Good	So-so	Slightly Bad	Very bad
Below 0.5 Million	3.7	19.9	27.3	33.0	16.1
0.5-1	7.5	25.7	28.3	26.0	12.5
1-1.5	8.3	29.3	28.3	25.3	8.8
1.5-2.0	10.6	30.2	29.8	20.4	9.0
2.0-3.0	12.6	29.9	29.0	19.5	9.0
Above 3.0 Million	15.7	25.9	25.4	25.9	7.1

Source: cited in Jung Kyung-Hee et al (2005)

In Table 4-5, only 3.7% of older people who earned below 0.5 million KRW

answered that they were very healthy, and 16.1% of them answered that their health was very bad, whereas 15.7% of older people who earned above 3.0 million KRW responded that their health was very good, and only 7.1% of them responded that their health was very bad.

Poor housing

Inadequate housing is another problem from which the older poor suffer. The older poor usually live in old and small houses. Their deprived housing condition is a cause of social exclusion.

Among the older people who receive benefits from NBLSS (National Basic Livelihood Security System), only 23.5% own a house, whereas approximately 80% of non-poor older people own a house (Kim Soo-Hyun et al., 2009: 93). Those who do not own a house and live in poor housing conditions definitely have many disadvantages compared to those who own a house (Alcock, 1997: 167-168).

The Korean government has pursued various efforts to improve housing conditions, and thus the number of houses under the minimum housing standard has declined rapidly. Of all households, 34.4% lived in houses that were under the minimum standard in 1995, 23.4% in 2000, and 13.0% in 2005. It was expected that the figure would decline to 7-8% in 2010 (Kim Soo-Hyun et al., 2009: 145). However, the government's housing improvement measure helps only some of the members of the underclass who are living in poor housing. The concept 'underclass' refers to such people as poor older people, solitary older people on low-incomes, and the homeless. Typically, these are persons, social groups and class, situated at the bottom of the class hierarchy because of the structural and cultural separation and isolation from mainstream society; and those in regular work (Vickerstaff, 2007: 154).

Single older people who do not own a house have to spend a lot of money to pay rent and thus the housing cost is a big burden to them. This tells us that housing problems make the life of poor older people harder.

Which groups are affected?

Older people in general

It is evident that older people are the most vulnerable age group among the whole of the poor. This suggests that we have to build a welfare system by which benefits are provided to those who are in need. Thus, we have to decide who would be the most vulnerable and should therefore be the specific recipients of the welfare benefits.

Table 4-6 Poverty Indicators by Age Group in 2007 (minimum cost of living)(%)

		Private sector income	Ordinary Income (revenue)	Disposable income
The whole (Total)	Poverty rate	12.42	6.15	7.24
	Poverty gap ratio	6.46	2.51	3.19
Children	Poverty rate	8.29	3.68	4.86
	Poverty gap ratio	4.97	2.38	3.20
Older people	Poverty rate	39.95	21.87	23.71
	Poverty gap ratio	18.85	5.99	6.75

Source: KOWEPS (Korea Welfare Panel Study) 1st-3rd year original material

As shown in Table 4-6, for older people, the poverty rate is 39.95% for private sector income according to the absolute standard, and 23.71% for disposable income. The risk of poverty is higher in older people than in the other age group (children).

According to the population projections by the National Statistical Office (2006), the

total number of older people aged 65 and over was 5.03 million in 2006 and will increase to 6.90 million in 2020. The total number of those aged 75 and over (those in 'old-old age') was 1.78 million in 2010, and will increase to 2.62 million in 2020.

All things considered, the ageing of older people who do not have sufficient income may be a serious threat to their social and economic status. In Korea, many older people are excluded from the income security system, whilst those who are employed are mostly engaged in low-paid jobs requiring little skill, so it is hard for them to escape poverty. Moreover, since jobs always require good health and the ability to work efficiently, older people are placed in the most vulnerable situation.

Non-regular workers

Non-regular workers are the most likely group to fall into poverty in old age because of job instability and low wages. In part, this group of workers experiences a repeated cycle of unemployment and employment and suffers from relative deprivation. Non-regular workers receive income below the average because they only work for a short time, and they cannot enjoy the welfare benefits offered by companies in contrast to regular workers. When non-regular workers are compared with the employed and the self-employed, it can be said that there is relative discrimination against them. The average incomes of non-regular workers are only three-quarters of those of regular workers (Jang Se-Hoon, 2006: 28). Furthermore, 70% of non-regular workers earn low wages (Kim Yoo-Sun, 2003).

The absence of welfare programmes for non-regular workers shows the severe problems of discrimination and exclusion in the employment structure of Korea. Koh Se-Hoon (2007) argues that the problem of non-regular workers is a result of the strategy of

labour market flexibility related to wages, hours of work, and employment. It also explains the existence of poverty among older people, who are most vulnerable in the labour market. This also indicates the inequality of the Korean labour market in terms of income and wealth.

There was a huge increase in the number of non-regular workers in Korea following the IMF financial crisis. The IMF advised Korean banks and companies to restructure their arrangements and to take action to enhance their financial transparency. Following the advice of the IMF, the labour flexibility measures led to a huge increase in the number of non-regular workers.

The figures for non-regular workers shed light on the seriousness of Korea's economic situation. There was a steep increase in the number of non-regular workers after the 1997 financial crisis, reaching a peak of 8.78 million in March 2007. After that, it declined slightly to 8.40 million in August 2008. In the early 2000s, the percentage of non-regular workers was maintained at 55%. In 2007, the non-regular worker protection law came into effect. Since then the proportion of non-regular workers has stabilised at 52%. This means that half of the labour force consists of non-regular workers (Kim Soo-Hyun et al., 2009: 192).

Table 4-7 Trends in Non-regular Work

	2001.8	2002.8	2003.8	2004.8	2005.8	2006.8	2007.3
Percentage	55.7	56.6	55.4	55.9	56.1	55.0	55.8
Number (thousands)	7,366	7,723	7,842	8,156	8,404	8,446	8,785

Source: Kim Yoo-Sun (2008)

Before the enforcement of the temporary worker protection law, the percentage of non-regular workers swung between 55% and 60%. This indicates that the percentage of non-regular workers was twice that of the advanced countries in August 2005. Also in 2005, the average wage of non-regular workers was no more than 50% of that of regular workers. Non-regular workers' social safety net was so weak that the subscription rate of social insurance was just 30%, compared with 82% for regular workers. Other allowances from employers including retirement allowances, bonuses, overtime allowances and paid leave, were only 14 %

of those enjoyed by regular workers who received full working allowances (Koh Se-Hoon, 2007: 167). In addition, non-regular workers are paid less often than regular workers and the amount they receive is not sufficient. Therefore, they are exposed to a poverty trap. Non-regular workers' average wage was 1.25 million KRW in August 2008, which is only 49.9% of that of regular workers (Kim Soo-Hyun et al., 2009: 192). The situation is more serious for those who are working part-time or unpaid household workers because their wages are much lower. The monthly salary of many part-time workers was approximately 558,000KRW in March 2008. This symbolises the polarised situation of the Korean labour market and it reflects the unequal reality. Most non-regular workers are underpaid. In addition, their employment status is not stable. They experience frequent dismissals. Thus, non-regular workers are more vulnerable economically and their situation becomes more serious because they fall into the vicious circle of employment and unemployment (Kim Soo-Hyun et al., 2009: 194).

There are many reasons for the sharp increase in the number of non-regular workers since the financial crisis in 1997. Among them, there is the structural transformation of the labour force, which includes the rise of labour participation among married women, the increased demand for non-regular work, and a gradual increase in part-time work for young people, and older people. Moreover, the change in the economic environment originating from globalisation has caused the intensification of competition and the increase of uncertainty in labour demand (Kim Yoo-Sun, 2005: 62).

Taking older worker's situations into consideration, non-regular workers have less opportunity to build a career than those in other types of employment. Thus older non-regular workers cannot help but have difficulties in changing jobs. In fact, most old people who are in poverty have a poor educational background and low skills, and consequently they spend a

long time in non-regular work. They can even be forced out of the labour market (Park Kyung-Sook, 2003: 140). When the circumstances before and after retirement are considered, because of income insecurity and restricted work opportunities, older people are exposed to the possibility of long-term unemployment and consequently to the risk of falling into poverty.

The Poor Self-employed

The growth of poverty among the self-employed was mainly caused by the financial crisis in 1997 and by the economic crisis which originated from the US in 2008. The industrial structure of Korea changed from agriculture to manufacturing in the 1960s and to heavy industry and the chemical industry in the 1970s. Thanks to this successful industrial transformation, Korea has been able to develop economically.

However, in the 1990s, the manufacturing industry declined, and the service industry expanded, especially in the areas of tourism, food, finance and distribution. The service sector requires a labour force that usually consists of non-regular workers and self-employed workers. Since the 1990s there has been a huge growth of small-scale businesses in various areas. People expected to be able to earn money easily without much capital and without many skills. In fact, however, self-employment was the last choice after workers were laid off from their workplaces. Thus, their financial resources were so limited that the scale of their business was small, which in turn made them susceptible to economic downturns and long-term recession.

The problem of self-employment in the labour market began to be discussed in response to the rise in unemployment since 1997. To be specific, the reason for the increase

in self-employment was that laid-off workers have flowed into small-scale self-employed businesses. As a result, the surplus labour force finds it impossible to increase their income (Lee Byung-Hee et al., 2008: 29). Excessive competition amongst the self-employed explains the difficult circumstances of the poor self-employed. For instance, the expansion of foreign or large supermarket chains has led to the decline of retail owners' income, and the recent economic recession has caused low profits in fields such as restaurants, internet cafés, and convenience stores which are sensitive to economic downturns. We can apply the term 'new poverty' to those who are poor despite the fact that they work. Generally speaking, older people are more likely to be engaged in self-employed businesses than younger people (Vickerstaff et al., 2007: 145-146). In conclusion, we can say that the poverty of older people results from industrial and labour market factors. The working situation and the condition of self-employment are not suitable for sustaining older people's livelihoods. It is rarely easy to manage businesses with a small amount of capital. Moreover, poor health and low confidence could be serious factors. Whether in a small shop or as a vendor, the work is very demanding for older people. Furthermore, it does not seem that it is conducive to income maintenance. Businesses that are vulnerable to an economic recession are likely to lower the standard of living and income level in the end.

Women

Women tend to be affected by the economic environment and the gender difference. With regard to poverty, they often suffer from want and destitution. As far as the poverty rate of female householders is concerned, in 1996, the poverty rate was 18.2% for women under 20 years old, 4.5% for women 20-64 years old and 34.4% for those aged 65 years and over.

Poverty among women who were 65 years old or over was the most serious. This trend continued until 2000. During this period, the poverty rate was as high as 53.2% among older women, which was the highest figure in Korea. Poverty rate amongst female working age class was mainly due to the economic crisis that caused mass unemployment (Seok Jae-Eun, 2006: 268).

Table 4-8 Poor Female Householders: Age Distribution (%)

	Under 20	20-29	30-39	40-49	50-64	65 and over	The whole
1996(A)	18.2	1.9	4.5	5.0	6.3	34.4	9.3
2000(B)	18.4	2.7	11.2	10.6	16.6	53.2	21.0
Increase and decrease rate (B/A)	1.1	42.1	148.9	112.0	163.5	54.7	125.8
Increase and decrease difference (B-A)	0.2	0.8	6.7	5.6	10.3	18.8	11.7

Source: Seok Jae-Eun (2006)

According to recent statistics on women’s absolute poverty rate (Table 4-9), the overall poverty rate was 11.3%: 24.8% for female householders and 9.9% for male householders. Overall, the poverty rate of female householders was 14.9% higher than that of male householders. Moreover, the total income of female householders divided by the number of families was approximately 970,000 KRW, whereas that of male householders was approximately 1,130,000 KRW. Thus, the income of male householders is about 160,000 KRW higher than that of female householders (Park Shi-Nae, 2010: 142).

Table 4-9 Poverty Rates by Gender

	Female householders	Male Householders	Total
Absolute poverty Rate	24.8%	9.9%	11.3%
Total Income	974,678KRW	1,129,889KRW	1,069,801KRW

Source: Park Shi-Nae (2010: 143)

The 1997 financial crisis is closely connected with the high poverty rate among older women. It should be noted that one of the most vulnerable groups is women. The

traditional gender role of women was restricted to housework for family members and thus women's labour force participation was low. This means that there have been many economically inactive people in Korea. This tendency is more remarkable in Korea because women have conventionally been treated as being inferior to men. Women are usually engaged in housework with no wage. Thus, the poverty rate is usually high among female householders and they are more dependent on state assistance than male householders. That is, female householders are more likely to rely on public assistance and in the case of older women private transfer from relatives and family are important because of the lack of previous job experience and the inadequacy of the public pension (Kim Soo-Wan & Cho Yoo-Mi, 2006: 10).

The feminisation of poverty is derived from the increase in the number of female-headed households caused by the increase in divorce and population ageing. The important point is that the shortage of opportunities to work, the passive gender role within the family, and the difference in real wages between the two genders produce large numbers of poor women. These women are even cut off from the state-operated social security system (Seok Jae-Eun, 2006: 247). In 2003, the proportion of female householders was 19.1%, and their economic activity participation rate (the proportion who were economically active) was 48.3%, which was considerably lower than the average of 64% for OECD member countries in 2003 (National Statistical Office, 2003). Since women are usually engaged in non-regular jobs such as temporary or part-time work, low-paid self-employment and unpaid household work, their employment status is very insecure. As a result, they are excluded from the social security system, including unemployment benefits and the public pension scheme. In addition, women's care work and housework are hardly ever rewarded (Seok Jae-Eun, 2006: 247-248).

All things considered, women's economic vulnerability is structural, so its solution

should be found in policies such as social insurance, public assistance, labour market policy and motherhood protection.

The new poverty problem

Static and dynamic analyses of poverty

The dynamic analysis of poverty requires it to be seen not only as a situation but also as a process. It also includes the analysis of causes as well as effects. Immediately after the economic crisis, poverty increased dramatically, so many studies were conducted to examine the circumstances of poverty. For example, Jung Jin-Ho and his colleague (2002) carried out research regarding changes in poverty and inequality after the economic crisis in Korea. In their study, the researchers used both income and consumption to judge whether people were in poverty or not (Atkinson, 1998; Ruggles, 1990).

After the financial crisis there was an economic restructuring and a sharp increase in unemployment. As a result, absolute poverty rose. Then the recovery of the economy reduced poverty. However, even if absolute poverty decreased, unequal income distribution was not ameliorated (Jung Jin-Ho et al., 2002).

The most vulnerable age group was older people. In the new millennium, the level of welfare has increased but basic conditions for elderly welfare have not been improved. So far, there has been a slight improvement in the poverty indicators. Although the IMF bailout has been forgotten, the problems of rapid population ageing and globalisation have influenced Korean public opinion. Additionally, with the increase in the number of non-regular workers, new types of poverty have threatened the integration of Korean society. These changes help

to explain the aggravation of income distribution, which means a rise in the number of households that are exposed to poverty (Ku In-Hoi, 2003: 25).

According to Seok Sang-Hoon (2009: 78), as population ageing proceeds, the majority of older people are becoming poor. He points out that the 'ageing of poverty' is still going on and will increase in Korea. Low fertility causes a decrease in the number of children; women increasingly participate in economic activities and thus the possibility of older people being supported in the family is declining continuously. He also notes that there have been few studies so far regarding older people's poverty in Korea. Seok Sang-Hoon (2009: 79) highlights the importance of research associated with the life course. For example, after retirement from their main job, individuals may face many mishaps, such as divorce and the death of their spouse which cause poverty. On the other hand, the reason why we should consider the significance of the life course is that work experience and preparation for old age are decisive to poverty. In other words, paid work and regular employment are advantageous for saving money in preparation for financial difficulty. Thus, to eradicate poverty, policies have to be established which concentrate on the younger generation rather than focusing only on older people (Seok Sang-Hoon, 2009: 79). If the present situation of older people becomes an important issue, the dynamics of their poverty can be understood in more detail, and thus fundamental solutions for the elderly poor should be much more productive in older people's life course.

New poverty problem and older people

The concept of 'new poverty' has been coined in Western societies. The idea of new poverty can be understood in relation to the concept of 'old poverty'. New poverty is a social-

structural phenomenon (Jang Se-Hoon, 2006: 15). Many Korean scholars typically define it as an urban phenomenon.

The causes of new poverty are as follows. First is the construction of the neo-liberal economic system (Cho Myung-Rae, 2003: 63). Secondly, the characteristics of new poverty originate from the change in economic growth. High economic growth had become an invisible social safety net in itself. For this reason, the state tends to delay the building of a real social safety net. This is why some of the developing countries have not created social security systems. The final reason for new poverty is the fixed nature of the class structure. Some decades ago, class mobility was possible in Korean society. However, poverty tends to be bequeathed to the next generation. In other words, it is not possible to overcome poverty. It is not easy to rise to a higher class because of a lack of education and other supplementary welfare programmes including health and housing services. Thus, new poverty is another barrier to the lower class, and even if they do endeavor in their workplace, they will never be successful in overcoming their disadvantages.

If we look at the features of new poverty, firstly, we need to think about old poverty. Old poverty simply means that poor people cannot take part in the labour market, and that they experience material deprivation. New poverty, however, means the spread of the working poor, indicating the persistence of poverty even among people who are economically active (Jang Se-Hoon, 2006: 20). Old poverty is mainly related to absolute poverty and occasionally to relative poverty whereas new poverty highlights relative poverty and the worsening gap between the rich and the poor.

As Korean society has industrialised, absolute poverty is gradually disappearing. However, in both the cities and the countryside, different forms of poverty have emerged. These might be the result of industrialisation as well as the concentration of population in

large cities. In this regard, new poverty needs to be analysed from various perspectives. Usually, new poverty is understood as the by-product of economic development. New poverty accompanied problems such as isolation from mainstream society and marginalisation, especially in the 1970s and 1980s for Korea. For example, poor people in the cities typically came from rural areas which primarily depend on farming and fishing. However, there were few people in new poverty and their problem was not very serious compared with the present.

When the reasons for the increase in poverty can be explained in terms of the financial crisis, we discover the structural problem that will be examined in the next paragraph. In any case, during the time of industrialisation, high rapid economic growth contributes to the reduction of poverty. However, relative poverty could not be decreased, owing to the problems of non-regular workers and low wage workers.

Thus, the sudden increase in the number of non-regular workers dismantles the structure in which the enlargement of employment is seen to alleviate poverty (Kim Soon-Young, 2005: 258). In other words, there will be a new pattern by which job creation is not connected with poverty reduction. Although a rise in the number of jobs makes unemployment decline, the new jobs and workplaces are still filled with non-regular workers. This means that the decrease in the unemployment rate does not lead to a reduction of poverty.

Another explanation for the emergence of new poverty in Korean society dates back to the early 1990s. This stems from the change of industrial structure, especially the rise of high-tech production. As a result of this change, vulnerable workers were placed in peripheral and temporary jobs, and the poor who were unable to buy enough goods and services experienced relative deprivation as well as family disintegration (Cho Myung-Rae, 2006: 50). Korean academics began to mention new poverty again after the 2008 world

economic crisis. Before then, Korea's credit crisis enabled this discussion to emerge in 2003 (Park Neung-Hoo, 2009: 1-2).

On the one hand, the 1997 crisis caused a lot of companies to implement large-scale restructuring through public agency intervention, such as external audits driven by government policy. As a result, the transparency of corporations has been improved. However, workers could not avoid lay-offs. This neo-liberal economic reformation by the IMF has promoted the emergence of a new poverty class.

In researching new poverty, we need to consider similar groups in poverty such as foreign workers, disabled people, and single parents and so on. Many of them experience isolation from their local community and discrimination in the workplace. This reality illustrates that new poverty is a multi-dimensional phenomenon that includes severance of social relationships and cultural or psychological isolation. All things considered, new poverty is not just an economic problem but also a social and psychological problem (Jang Se-Hoon, 2006: 22-23).

Moreover, new poverty arouses hostility among the people living in the neighbourhood of the new poor. A number of researchers regard this phenomenon as emotional conflict. Thus, people who study new poverty come to the conclusion that there is social tension or a sense of distance between the new poor and the non-poor (Jang Se-Hoon, 2006: 23).

New poverty and the working poor in Korea

New poverty refers to a new type of poverty which is totally different from existing poverty in its aspects and features. For instance, the 'new poverty' concept includes the

working poor who currently take part in, or have an intention to take part in, the labour market. The working poor, although they are working, are in poverty, mostly because of their unstable employment and low wages (Jung Won-Oh, 2006: 5). The concept of the working poor has a narrow meaning, including the poverty of employees and job seekers who are below the poverty line. Sometimes it refers to a whole family (Roh Dae-Myung, 2007: 15).

According to the research investigating the reality of the Korean working poor, the population of the working poor in Korea reached 2.15 million people in terms of median income 50% in 2009. Among the working people participating in the labour market who were above 15 years old, the employed accounted for 60.3%, the unemployed 11.0% and the economically inactive 28.6% in 2005 (Lee Byung-Hee & Ban Jung-Ho, 2008: 224).

In Korea, a policy for the working poor has been established recently. First, the poverty policy includes the participation of self-reliance programme, a policy for the poor self-employed and poor workers and a policy for the decrease in household spending. In addition, there are complementary measures such as the increase in public transfers as well as medical and housing support, the EITC (Earned Income Tax Credit) and the activation of a self-reliant community. Korean society has suffered badly from the problem of non-regular work. Without solving the problem of non-regular work, it will be hard to solve the problem of the working poor. In particular, since this problem stems from the polarisation of labour and capital, there is a need to include people in a social security net. In the case of Europe, an Active Labour Market Policy (ALMP) has been enforced with a significant budget. If we look at the Korean situation, the expenditure for ALMP is the second smallest in OECD countries. Sweden, Denmark, Germany and Holland have had positive results from this policy. The Korean government has a dilemma: to choose either a social security policy or an ALMP. For this reason, the government should consider activation policy to re-activate

people who have been unemployed for a long time and are dependent on public assistance. It also should consider job training and continued education with the aim of increasing labour flexibility and mobility. Above all, economic growth and job creation should be considered together in establishing policies for making employment training effective (Lee Tae-Jin et al., 2010: 256-259).

Older people's poverty and its reality in Korea

Poverty rate of Korean older people

The poverty rate among those aged 65 and over increased slightly, from 27.3% to 29.8%, between 1995 and 1997, but after the economic crisis it increased sharply to 37.1%. After the recovery of the economy and the enlargement of the partial social safety net, poverty decreased steadily among older people's households. However, the poverty rate started to rise again and reached 38.7% in 2004. Thus, the poverty of older people has recently become a social and political issue once again (Kim Kyo-Sung, 2008: 10).

Absolute poverty had been falling with economic development, but after the IMF economic crisis, it increased steeply for a short while. Since then, it has decreased consistently (Hong Baeg-Eui, 2008: 107).

The situation of elderly householders who were in poverty was serious in the early 2000s. According to Table 4-10, the absolute poverty rate of older people's households was 30.3% in 2003. It decreased to 26.6% in 2004 but rose to 31.3% in 2008.

Table 4-10 Older People's Poverty Rate (by year)

Older people's poverty rate	2003	2004	2005	2006	2007	2008
Absolute rate	30.3	26.6	28.3	28.9	30.0	31.3
Relative rate 40%	32.6	30.4	30.6	31.5	32.7	32.7
Relative rate 50%	40.6	38.5	38.1	40.6	40.9	40.8

Note: single-person households and rural area households are excluded.

Minimum cost of living and disposable income standards

Source: Korea Institute of Health and Social Affairs (2010)

The data on the most recent poverty rates illustrate that Korean older people's poverty is very harsh in comparison to advanced Western societies. In addition, according to OECD statistics based on the disposable income standard, the relative poverty rate was set at less than half of median income at 45.1% and this figure is approximately 32% higher than the

average in OECD countries (13.3%) (OECD, 2009).

More specifically, we need to investigate the composition of the elderly poor. Firstly, by gender, women's poverty is more extensive than men's. Among older men, 33.6% are in relative poverty, but among older women, 43.3% are in relative poverty. Secondly, by marital status, the poverty rate of single older people is 44.2%, whereas that of married older people is 35.6%. Thirdly, by family size, the smaller the family, the greater the poverty rate of older people. The poverty rate of one-person households is 75.9%. Among two-person households, poor people comprise 47.7%, which is just above half of the poverty rate of one-person households. As family size increases, the poverty rate decreases proportionally. It is a matter of course that the poverty rate would be low for older people living with their offspring who are economically active. Fourthly, by education level, those who have better education are less likely to be in poverty. Among older people with no educational background, 52.2% are poor, but the poverty rate for older people having a secondary education is 33% (see Table 4-11).

Table 4-11 The Composition of Poverty in Old Age

Feature	Type	Poverty Rate
Gender	Male	33.6 %
	Female	43.3 %
Marital Status	Single	44.2 %
	Couple	35.6 %
Family Type	One-person household	75.9 %
	Two-person household	47.7 %
Standards of education	No educational Background	52.2 %
	Finished secondary education	33.0 %
	Graduated from college	33.0 %

Source: Hong Baeg-Eui (2008) Older people's economic status

Economic (income) status of Korean older people

The economic status of older people can be observed from their income and consumption. Primary income is composed of earned income and income from property. The former refers to earnings from work and the latter refers to revenues from sources such as finance and real estate. In addition to primary income older people's supplementary income usually originates from income transfers. Public transfers are the benefits from social insurance, public assistance and other subsidies from the government. Private transfers are subsidies from family, relatives and charity organisations (Lee Yong-Woo & Kim Hye-Ran, 2008: 44-45).

To investigate how earned income is related to poverty and social security, researchers have studied whether economic participation is significant, because economic activity depends on older people's willingness to work. Thus, whether older people have economic power (financial ability) is usually affected by their economic activity. It is reported that it is the most important factor for the economic status of older persons (Lee Yong-Woo & Kim Hye-Ran, 2008: 39).

The level of older people's incomes changes significantly on retirement. Table 4-12 shows the levels of average monthly household income according to the types of economic participation. Retiree who are 65 and over have lower income than that of those who are employed, but they have slightly higher incomes than job seekers.

Table 4-12 Monthly Household Income by Economic Activity (1,000 KRW)

Economic activity	Employee	Job seeker	Retiree	Total
Age				
45-54	3,914	2,119	2,174	3,423
55-64	3,261	1,815	2,329	2,752
65 and over	2,171	1,578	1,611	1,688
Total	3,588	1,934	1,922	2,761

Source: Kim Kyung-Hye (2010: 52)

In *Prospective change and policy agendas for a super-aged society* (Seoul: Seoul Development Institute)

Table 4-12 shows that older people's poverty is attributable to the lack of any income except the pension. That is, the lack of earned income is a key factor in determining older people's economic status.

As far as private transfers are concerned, older people depend a great deal on their

children's economic support. The reason why older people have to rely on their offspring for their living is that public transfers are not guaranteed for the majority of older people. Also, it has been an age-old tradition bequeathed from the *Chosun* Dynasty that offspring support their own parents. It is a kind of filial piety. For a long time, Korean people used to live in a cultural atmosphere in which familial responsibility is emphasised.

The increase of income by private transfers may offset the loss of working ability for older people. However, many older poor people fall into poverty (Ku In-Hoi, 2002) because the role of private transfers is very limited. Many adult children on low income cannot provide their parents with sufficient economic support. Thus, these groups are vulnerable to poverty. Moreover, the numbers of older people who do not have offspring have increased steadily. , According to Byun Jae-Gwan et al (2002), the proportion of older people without offspring in their household was 19.5% in 1980 but rose to 50.9% in 2000. This reflects the rapid transformation of family structure and the fact that the function of family support has become much weaker than in the past (Lee Yong-Woo & Kim Hye-Ran, 2008: 41).

In particular, According to Ministry of Health and Welfare, the number of elderly who are living alone (solitary older people) was 1.19 million in 2012. Out of the total older poor who are living alone, 77% are less than 50% of median income. The older people who are below poverty line account for 0.5 million. Overall, 42.5% of solitary older people are in serious poverty (Lee Jung-Gwan & Kim Jun-Hyun, 2013: 192).

With regard to public transfers, we can look to important historical instances of benefit provision especially in the early period of industrialisation. For example, in Germany in the 19th century, a social benefit system was introduced by the state to mitigate the conflict between the capitalist class and the working class. Public provision has a significant role in building the basic safety net. This public transfer can play a crucial role in preventing older

people from becoming poor by providing benefits or allowances. To establish such a system, imperative and comprehensive enforcement is necessary. In this respect, the Korean public pension system has not been developed sufficiently to cover all welfare recipients, and further it has been quite incapable of improving the quality of life of older people. The Korean government has built up the system step by step to expand the coverage. For instance, the enlargement of NPS to cover all workers was a breakthrough event in the 1990s. It enabled older people to expect to enjoy a more stable old age than before. (Lee Yong-Woo & Kim Hye-Ran, 2008: 42).

More specifically, the average monthly income of older people amounted to 1,120,000 KRW in 2005. It is evident that the types of income vary in their income sources. In effect, the proportion of income from estates has decreased little by little, and private transfers have declined considerably. However, the proportions of earned income, business income and public transfers have increased. This illustrates the stagnation of older people's household income at this point, due mainly to a decrease in income from private transfers (Ku In-Hoi, 2006: 77-78).

The specific causes of poverty among older people in Korea

The loss of roles for older people

The discontinuation of income due to the loss of opportunity to work is the major reason for older people's poverty. In the past, the knowledge and experience of older people have been regarded as assets which are handed down to their descendants. However, with the advent of industrialisation, older people's assets, namely their traditional knowledge, have no

longer been regarded as useful for younger generations. Since older people usually do not have opportunities to learn new techniques and knowledge, they are not able to adjust themselves to modern society. This exclusion leads to the discontinuation of income (Choi Sung-Jae & Kim Tae-Sung, 2002: 7).

Previous job career and low educational background

Older people tend to retire from the workplace at around the age of 55. Except for office workers, especially in Korea, their poor educational background is not conducive to continuing to work. If they have qualifications from school or college, they may have a chance of getting a better job. Even if they succeed in finding a job, they would be marginal in the job market because the jobs open to them are likely to be dirty, difficult and often dangerous such as those of garbage collector, building security guard or construction site labourer. Furthermore, those jobs are likely to be low-paid and non-regular. With regard to the relationship between older people's occupational status in the past and their present economic situation, many studies show that their final occupation category and type of employment affect their poverty and economic circumstances in old age (Lee Mi-Jin & Kim Mi-Hye & Hong Baeg-Eui, 2007). In the same way, their career, employment period before retirement and employment status are decisive for level of income after retirement (Kim Kyo-Sung, 2008: 23).

Table 4-13 Average Monthly Income by Householder Attributes

Classification		Average monthly income (1,000 KRW)
Gender	Male	2,831
	Female	1,595
Age	45-54	3,423
	55-64	2,752
	65 and over	1,688
School career	Primary school	1,286
	Middle school	1,885
	High school	2,643
	Further education and college	3,899

Source: Kim Kyung-Hye (2010: 51)

Questionnaire in *Prospective change and policy agendas for super-aged society* (Seoul: Seoul Development Institute)

As shown above, the well-educated person receives the highest monthly income. While college graduates earn 3,899,000 KRW monthly, primary school graduates earn only 1,286,000 KRW monthly.

Health problems and loss of working capability

Biological ageing and psychological depression that cause poor health are likely to be aggravated when coupled with older people's lack of income, which makes it difficult to pay for medical costs. Furthermore, it lessens the possibility of being cared for properly by the family (Choi Sung-Jae & Jang In-Hyup, 2010: 49).

Moreover, the breaking of social relationships after retirement is quite common in this period in the life course. Whether it is voluntary or enforced, retirement is a crucial concern for older people. By and large, as they grow older, older people become weak both physically and emotionally, and the likelihood of being sick increases sharply. Some argue that, in spite of the weakening of health, the life expectancy of older people is becoming longer, thanks to improved medical treatment.

This means that the increase in life expectancy is likely to lead to reduced quality of life for some older people because the increase in health costs can cause chronic financial problems. The rate at which older people become ill is two to three times higher than for young people, and chronic diseases and complications are more frequent, so health costs can be a burden to them owing to the need for repeated examinations (Choi Sung-Jae & Jang In-Hyup, 2010: 49). In this context, it is even harder for disabled older people to join the labour market, so they are more likely to be in poverty. The loss of their working capability can make situations worse.

Family relationships

In the course of ageing, many older people lose their position as head of the household and status as supporter for their adult children after retirement. Traditionally, in Korea, large families have functioned as a place in which family members give and receive finances. However, the family's role as a financial safety net has decreased as the number of nuclear families has increased. The nuclear family has risen in numbers continually since the 1980s in place of the large family. Table 4-14 shows the rise in the number and percentage of nuclear families. Although this does not include one-person households, the proportion of nuclear families reached 90.7% in 2005.

Table 4-14 The Trend towards Nuclear Family Households

(1,000 households; %)

Type	1975	1980	1985	1990	1995	2000	2005
The number of household (nation-wide)	6,948	7,969	9,571	11,355	11,133	11,928	12,487
The number of nuclear families	4,499	5,444	6,807	7,922	8,886	9,781	11,324
The percentage of nuclear families	64.7	68.3	71.1	69.8	79.8	82.0	90.7

Source: Economic Planning Board & National Statistical Office, Reports of censuses

However, the custom still remain that the children should care for and support their parent. Thus, older people's family resources come mainly from their grown-up children. This increases older people's dependency on their offspring. Due to the disappearance of close relationships between parents and their children, the solidarity within the family has been weakened. Moreover, according to Chung Soon-Dool & Park Soo-Jung (2008: 1071), 'Korean older people and 'success of adult children' might be related to particular cultural values or to the nation's rapid socio-economic changes in recent decades. Middle-aged people tend to regard their children as a potential source of support in later life.' Still, Korean people have a tendency to believe that "the children's achievement is the parents' success' (Yoo G, 2006). This custom promotes the dependency culture amongst older parents. Therefore, in this context, a dependent attitude is likely in older people, and the likelihood of being poor is increased. In addition to this, the inadequacy of the income security system is a serious problem; many older people will have to rely on their adult children.

The social and economic reasons for poverty among older people

Poverty originates from a wide range of causes. Some are macro and socio-structural aspects which are rooted in Korean society; for example, the influx of poor people from the countryside to the city and the inequality of poor people's opportunities in education and employment are primary causes. Furthermore, the income difference by region and the inadequacy of the social welfare service, including the unsatisfactory social security system, make the situation worse (Choi Il-Sub & Choi Sung-Jae, 1995: 97).

The inadequacy of the social safety net

The social safety net is composed of the first safety net and the second safety net: the former is social insurance and the latter is public assistance. Social insurance is provided for people who need financial support and is designed for the economically active population. On the other hand, public assistance is provided for people who cannot sustain their livelihood for themselves. Older people in Korea usually depend on a variety of social insurance schemes, such as the National Pension Scheme (NPS), Retirement Allowance, and Basic Old Age Pension Scheme; the National Basic Livelihood Security System has functioned as the last safety net since 2000.

In order to discuss the problem of Korean social security, we should first consider the NPS (National Pension Scheme). The coverage of the NPS in Korea is still far behind that of other OECD countries. This is mainly because it has just started to pay benefits, having been introduced twenty years ago, but its financial resources are exhausted owing to its high replacement ratio. On the other hand, there are many non-contributors, who are excluded from the coverage of NPS. For this reason, the state pension as the most basic social security system has huge defects, and other supplementary pensions and public assistance are not yet mature. Hence, the Korean social safety net is considered by most citizens to be inadequate. However, the government regards the need to build up an effective system as a long-term goal even after joining the OECD following the policy of globalisation.

The lack of resources and the uncertainty of future life make old-age more difficult, especially because of the inadequacy of the public pension and social assistance. Older people may not have the capacity to be self-sufficient. Although younger generations, like those in their thirties (30s) and forties (40s), will be able to prepare for their old age, the generation between 55 and 65 years old has no alternative to a retirement allowance after leaving the labour market, and older people who are 65 and over have no possibility for self-

reliance except family support.

Conclusion

In Korea, the meaning of poverty has a variety of factors, such as low income, loneliness, ill-health, and housing. Furthermore, vulnerable people who are exposed to poverty are usually older people that have a feature like non-regular workers, poor-employed and women.

Low income means that Korean poverty has been trapped in the most basic and difficult dilemma. The extent of low income also indicates that older people's re-employment has been created by a low-wage service industry sector. On the other hand, other factors such as loneliness, ill-health and poor housing can be extremely personal problems. Solutions are urgently required to solve the problem of poverty in old age. For example, ill-health is able to be settled by the strengthening of public medical security. National intervention is required to enhance the quality of life among older people as long as balanced viewpoint is allowed.

The problem of older people living alone is still emerging in Korean society. They have been experiencing poverty not only in the dimension of economic situation but also housing, health and social relations. Therefore, in the future, the assistance policy for solitary older people should be changed towards a multi-dimensional approach. For instance, they need to be offered a variety of welfare services as well as to be identified as welfare targets. Thus, there is need to secure more effective and proper assistance policy and the substantial and specific content in terms of tackling older poverty (Lee Jung-Gwan & Kim Jun-Hyun, 2013: 207).

Also, there will be limitations to improving the quality of life of older people living

alone in that welfare policy based on income transfer is dominant. Older people living alone need access to a variety of social services rather than simple and passive income transfers (Lee Jung-Gwan & Kim Jun-Hyun, 2013: 208).

Similarly, the problem of poverty among non-regular worker and poor self-employed has to be addressed. Thus, the Korean government has to take measure especially focusing on these problems. Also, the new poverty problem requires us to understand the issue more widely and allows us to tackle the problem better in terms of an effective solution.

The increase in the number of poor older people results specifically from the loss of the role of bread-winner, low educational background, health problems, reduced working ability and dependent family relationships that hinder the independence of older persons. Moreover, the inadequacy of the social safety net has accelerated the old age poverty in Korea.

Chapter 5

SOCIAL SECURITY SYSTEM

As a solution to the poverty problem in old age, the most basic solution is the provision of a suitable social security system. The social security system in Korea is composed of social insurance, public assistance and other services. Every type of pension is important including NPS (National Pension Scheme) and BOPS (Basic Old-age Pension Scheme), and, as a final safety net, NBLSS (National Basic Livelihood Security System). In addition, the retirement pension has a significant role in a multi-pillar social security programme. However, Korean society has already established a so called multi-pillar social security system, but it has many defects (Yoon Seok-Myung et al., 2007: 20). For instance, the pensions and the assistances do not have systematic structures that are combined between basic pension and the NPS (National Pension Scheme). Moreover, if we look at retirement pension and retirement allowances, the important role of retirement pension as a portion of occupational pension is not fully utilised owing to redundant functions.

In this chapter, we will discuss the identity and characteristics of NPS, RA (retirement allowances), NBLSS (national basic livelihood security system), and BOPS (Basic Old age Pension Scheme) as the Korean social security system for poor older people.

National Pension Scheme

Normally, industrialised countries have a public pension system which provides basic income security in old age. As mentioned above, the NPS has a short history in Korea.

It was founded in 1988, and subscribers have consistently increased, but the recipients are small in number owing to a lack of publicity in the days when it was introduced. Moreover, the replacement rate was set high initially; pensionable age is only 60 years and the overall pension is very generous (before pension reform). Therefore, the NPS has played no effective role as an income security system for older people (Kim Yeon-Myung, 2008: 56).

First of all, if we look at the origin of the current NPS, it was a response to industrialisation by the Park Jung-Hee government. At that time, the Specific Pension Scheme had been introduced in order to secure the Park regime's legitimacy. In 1973, the Park government's national welfare pension law was passed by the National Assembly. The purpose of this welfare law was to raise funds to boost economic development. Whether it achieved its purpose is an open question, but it was a remarkable advance in terms of the fulfillment of the social security systems. Although the purpose of the National Welfare Pension Scheme was to help economic development, it should be understood from a new point of view. For example, Germany's social insurance system was introduced in the 1880s to enforce workers' compensation insurance, old age insurance (allowances), and sickness insurance (allowances), which resulted in effective and positive progress in its social security system, and enhanced workers' economic life and health (Lee In-Jae et al., 2006: 284). The same principle can be applied to Korean society, especially in former president Park Jung-Hee's era; even if the implementation of the state pension was delayed, pensions and the welfare system were novelties at that time. In particular, the direct objective of introducing the national welfare pension was to produce the economic capital and resources to invest in heavy industry and the chemical industry (Yang Jae-Jin et al., 2008: 106). However, in those days, Korea's social situation and economic indicators were not enough to carry out the entire national pension system. As we know from Yang Jae-Jin et al. (2008: 106), GNP per capita

was just US\$ 223 in 1970, and 52% of people were engaged in agricultural and fishing industries. In those days, the introduction of the NPS signalled a new epoch pushed forward by the *Yusin* (Revitalizing Reforms) government (Yang Jae-Jin et al., 2008: 106).

In the 1980s, demographic changes such as the decrease in the birth and death rates meant that the older population, those aged 60 and over, increased from 5.2% in 1973 to 6.8% in 1986. In addition, the Korean people began to wish for income security in old age. Furthermore, the continuing economic growth created the conditions for introducing a public pension. GNP per capita was US\$187 in 1973, but increased to US\$2,568 in 1986. This meant that the Korean people's capacity to contribute to a pension fund had much improved. In August 1984, the national welfare pension preparation committee was established even though the organisation was not very active. Later, a feasibility study was conducted, and a public hearing for an assessment of public opinion was held in June 1986 (Lee In-Jae et al., 2006: 285-286). At that time, former president Chun Doo-Hwan announced the implementation of the NPS. Although this can be evaluated as an epoch-making advance, its motivation originated from the government's efforts to gain political legitimacy for the Chun government. The implementation of the NPS was partly intended to maintain the regime, which wanted to win the next presidential election and general election. The Economic Planning Board, a supreme government organisation for economic development, persuaded President Chun to implement the NPS (Choi Young-Jun, 2008: 129). The NPS started in January 1988, and, in order to manage the pension fund, a special corporation called the National Pension Corporation was established.

The formation process of the NPS suggests that the development of the Korean public pension and its continuing challenges depended on legislators' decisions and resolutions as well as people's active participation in decision-making through representative

organisations. For example, ordinary people have a right to take part in the social security agency as representatives according to international social security society in ILO (International Labour Organisation) in 1953. The introduction of the NPS enabled future recipients to expect to receive pensions through the expansion of coverage to the whole population. In the first place, ordinary workers such as the employees of companies employing more than ten (10) people were covered as soon as the scheme began. Ordinary workers such as the employees of companies employing over five (5) people subscribed to the scheme in 1992. One after another, in 1995, those who lived in rural areas were able to receive the benefits, and in 1999, the coverage of the pension was expanded to urban areas. As a result, the income of the self-employed was recognised, and local contributors (regional members) also had a right to contribute and receive pensions (Oh Geon-Ho, 2006: 27-28).

With regard to the expansion of the scheme, there was a debate over the issue of whether contributions and benefits are affected by the proportion of income. First, there was the issue of whether only farmers and fishermen could qualify for the NPS, or all residents living in rural areas. Second, there was the issue of the unit of application and the problem of age (age effect problems). The government suggested that applications should be granted for people between 25 and 60 but not for those aged 18-25. Third, there was the discussion as to which method should be applied: the method of imposing contributions (premium) in proportion to income (SERPS), the method of imposing a uniform amount of money irrespective of the income level of subscribers (flat-rate), or the two-tier method combining income level with a flat-rate contribution. Fourth, regarding premium assistance (fiscal support), the Korean government announced that 50% of the premium was to be provided to the low income class. This means that differential support was implemented for those who had low incomes. Certain amounts of money were provided for all equally (Lee In-Jae et al.,

2006: 288-289).

The nature of the NPS can be explained as follows. Firstly, there are two methods in insurance systems: the accumulation system and pay-as-you-go. The accumulation system is a method by which subscribers accrue the premium for payment later whereas the pay-as-you-go system utilises the premiums immediately after collection without accumulation. The NPS uses the corrected accumulation method, which is a mixture of the accumulation method and pay-as-you-go. However, this system has created a continuing problem, since future generations will be required to pay for the cost of this method. For the NPS, the more advantageous it is for present generations, the greater the cost future generations will have to bear.

Secondly, the NPS is a defined benefit pension system. The defined benefit is fixed regardless of the premium subscribers' payments. This type of pension has an advantage in that subscribers know their pension income in advance. However, if the premium is less than the amount of pension, pension finance becomes unstable. Whilst the defined contribution method determines only the premium the subscribers should pay, the pension that they receive in the future changes in accordance with the profit from the operation of the fund. Due to the problem that future pension income is flexible; it is hard to predict finances in old age. However, in the event that the profit of the fund is higher than expected, recipients can receive pensions larger than the defined benefit (Oh Geon-Ho, 2006: 38).

The problems with the existing NPS can be summarised in three ways. Firstly, pension finance is unpredictable and its sustainability is in question. The NPS fund had been accumulating until 2008, when the system matured. However, since then, pension benefits expenditure has increased sharply and the increase of expenditure will continue but it will show a deficit in 2044. In 2060, it is expected that the accumulation fund will be exhausted

entirely. The fundamental reason for this is the imbalance between contributions and benefits derived from the fact that the lowest age for the 'early' old age pension is around 55 years old; the population ageing makes this problem worse because it increases the number of recipients (Euh Gi-Gu et al., 2009: 35). Secondly, Korean people distrust the operation of the pension fund, the accumulation method of putting aside premiums for a later date. A much larger fund for the NPS needs to be created. The NPS fund should maintain its stability and should ensure that the proper revenue is provided. The profits need to be maximised. However, during the period since the introduction of the NPS, the fund has not been operated appropriately according to its original principles. As a result, the Korean people's distrust has continued to increase (Lee In-Jae et al., 2006: 292-294). Finally, regarding the reform of the NPS, the problem of those who are excluded is very serious when compared with other social insurance systems. When the present younger generation becomes the next older generation, those who are able to receive a pension will only make up 42.9 % of the population between 20 -and 59 years old. Those who cannot receive pensions will account for 57.1% of the total population between 20 -and 59 years old. There are many non-subscribers including the economically inactive population, the unemployed and the underemployed. Even within the group of NPS subscribers, there are still many people who are exempt from payment. Of course, those who are not paying contributions will be excluded (Oh Geon-Ho, 2006: 82-84).

Even though the number of insured people has increased from 4.4 million in 1988, one-quarter of the work-force, to 17.2 million in 2004, three-quarters of the work-force, the pension benefit is not enough to satisfy their welfare needs. However, the effective coverage is about 50% of the work-force (OECD, 2004: 71).

Table 5-1 Estimation of Pension Benefits under the NPS

Type of benefit		Eligibility Conditions	Level of benefits
Old-age pension	Full old-age pension	-Insured term of more than 20 years -At least 60 years old	100% of P1 + additional Pension
	Active old-age pension	-Insured term of more than ten years -Economically - active persons between 60 and 64	50% to 90% of P1 or P3 (no additional pension)
	Reduced old-age pension	-Insured term of between 10 and 20 years -At least 60 years old	47.5% to 92.5% of 1.8 (A+B) + additional pension
	Early old-age pension	-Insured term of more than ten years -Non-active persons aged at least 55	75% to 95% of P1 + additional Pension

	Special old-age pension	-Insured term of more than five years - More than 45 or 50 years old at time of NPS application -At least 60 years old	25% upwards of P1+additional Pension
	Disability pension	-Disability due to sickness or injury during period of coverage	P6 + additional Pension
	Survivor's pension	-Death of the insured -Death of the recipient of old-age or disability pension	Between 40% and 60% of P1 + additional Pension
	Lump-sum refund	-Insured term of less than ten years -At least 60years old	

Divided pension	More than 5 years marriage -spouse is pensioner	Spouse's old-age pension in the course of the marriage is divided equally
Lump-sum for death	When subscriber or Previous Subscribers die -Survivors and non- survivors	Lump- sum refund equivalent

Source: Choi Sung-Jae & Jang In-Hyup (2010:366)

To be eligible for the 'full' old-age pension, workers reaching 60 years must have a contribution record of at least twenty (20) years. Further pension rights increase automatically for each extra year of contribution. Otherwise, the pensioner can receive the 'reduced' or 'special' pension for workers aged 60 and over with fewer than twenty (20) years of contributions. Finally, the 'early' old-age pension is for employees retiring between the ages of 55 and 59 (OECD, 2004: 71-72). More specifically, the 'full' old-age pension has

been applied since 2008, when it reached twenty (20)-year maturity, and the ‘reduced’ old-age pension has been applied for those who reach the age of 60 with contributions of ten to nineteen (10-19) years. An ‘early’ old-age pension has been granted to beneficiaries who have belonged to the pension scheme for more than ten (10) years, who have retired from their workplaces early and who have no income.

However, despite the high replacement rate for pensions, the NPS has played only a limited role in ensuring sufficient income support for older people (OECD, 2011b). The coverage of the NPS needs to be expanded in order to provide effective income security for older people. Another key issue is for the NPS to function much more efficiently and to play a significant role with regard to redistribution. This is related to the under-reporting of income, which means that people deliberately report less income than they have earned. This is particularly prevalent among high-income self-employed earners. More stringent measures are required to achieve equal contributions within the NPS (OECD, 2004: 85).

The NPS sets a standard to include in its coverage all people from 18 to 60 years old who reside in Korea. Contributors are classified as workplace contributors and local contributors. Workplace contributors include employees and employers who hire more than one worker. Local contributors include daily basis workers, monthly basis workers, part-time workers who are working fewer than 80 hours in one month, self-employed, the jobless, students and soldiers. The following are excluded: -subscribers of specific pension schemes such as the Government Employee Pension Scheme (GEPS), the Military Personnel Pension Scheme (MPPS) and the Private School Teachers Pension Scheme (PSTPS). In addition, recent beneficiaries and recipients of retirement pensions, subscribers’ spouses, those who have no income (including those aged 18 to 27), and NBLSS claimants are exempted from paying contributions (Lee In-Jae et al., 2006: 307-308).

In this context, the NPS has created a problem of poverty for those who are excluded from making contributions since they are excluded from benefits. However, despite the short history and experience of the rudimentary state pension, this situation might cause tricky problems for pensioners; in particular, students who do not have incomes and recipients who are unemployed or have long-term sickness have difficulties in paying contributions due to their poor financial status. In Korea, those who are excluded from contributing are many. Out of 18.4 million subscribers, those who are exempted from making contributions numbered almost 4.9 million people in June 2009. The proportion of non-subscribers is 27.1% (Euh Gi-Gu, 2009: 26).

There are three main reasons for exclusion. Choi Hyun-Soo (2002) emphasises the introduction of the pension system and the peculiar way of expanding the system. Thus, he suggests (2002: 225) that there is a top-down expansion strategy for employees of large, high-turnover companies, then small business employees, farmers and fishermen, and later the self-employed. This means that vulnerable people are unable to receive pension benefits owing to the difficulty in the distribution and management of resources by the national government. Because of frequent closures and uncertain short-term employment contracts, low rate of keeping track of income hinders the opportunity for people who need a pension to subscribe (Choi Hyun-Soo, 2002: 225). Another reason is related to the process of operation. First of all, there is not any exclusion of coverage because we have voluntary subscription. Strictly speaking, voluntary subscription does not automatically guarantee the receipt of benefits from the system. It is possible that voluntary subscribers will not be able to receive benefits.

The second main reason for exclusion is the minimum period required for inclusion in the pension system. This means that those who have not achieved the necessary

subscription years do not have the right to receive a pension. In 1998, a reform reduced the number of subscription years from twenty (20) to ten (10) years. Thirdly, the contribution evasion problem is a big issue. Employers should contribute a certain amount of money to their employees' welfare, but the reality is far from this, owing to the employers' attempts to save labour costs. Finally, the poor management of the operating system fails to include non-regular workers, the self-employed, and pensioners in the system, resulting in exemption from payment (Choi Hyun-Soo, 2002: 225-226).

There have been a large number of excluded people since the implementation of the NPS and the number will not decrease in the future for various reasons such as non-regular work and low-paid self-employment. People in these groups were excluded when they were first employed or started work. The exclusion from the NPS causes ineffective income distribution, which may lead to the worsening of income security of older people due to the diminished range of coverage. Old-age pension systems, like any other form of social insurance, need to be improved to ensure economic stability for people in their later life. Hence, a non-contributory pension, not one by which money is paid into a pension account, is a supplementary method. Thus, a new basic pension system needs to be established to expand its coverage. Since the government pension system has weaknesses when compared with non-government pension systems such as personal pensions, it needs to improve its coverage as soon as possible.

In 1998, the government and the national assembly carried out a reform of the NPS. First of all, the government established the National Pension Reform Board (NPRB), which proposed a bi-pillar scheme like the basic pension, an earnings-related pension, the reduction of the benefit level from 70% to 40%, the gradual increase in the rate of premiums (contribution rates) from 9% to 12.65% by 2025 and the increase of pensionable age from 60

to 65. However, the government amended the proposal, so that the contribution rate was maintained at 9%, the benefit level was reduced from 70% to 60% and the pensionable age was increased from 60 to 65 years old. Moreover, in order to increase the number of pension beneficiaries, the period of minimum contribution was changed from fifteen (15) years to ten (10) years, and the pension splitting system was introduced to improve the operation of the system (Euh Gi-Gu et al., 2009: 7-9).

In 2007, there was another reform by the Roh Moo-Hyun government. The opposition party suggested the introduction of a basic pension plan in order to solve the exclusion problem and the financial stability problem of NPS in 2004. In 2006, the government brought up the new reform proposal in an attempt to introduce a basic old-age pension. It eventually accepted the necessity of a non-contributory pension for older people. The government finally reached an agreement in parliament in 2007 (Euh Gi-Gu et al., 2009: 12-13). The benefit level was reduced from 60% to 40% while the contribution rate remained at 9%. Financial sustainability was improved and poverty was alleviated by the Basic Old age Pension.

For the improvement of NPS, it must be recognised that a public pension like the NPS is not enough to guarantee income security. Thus, we should establish a variety of measures for old-age income security. For instance, at the individual level, there are savings, real estate and family; at the national level there is the public pension; and at the business level there is the occupational pension. At this point, both the World Bank, which favours the market-friendly pension system, and the ILO which prefers the welfare-friendly pension system, acknowledge the importance of diversification of old-age income (Kim Yeon-Myung, 2008: 58).

Retirement Allowances and Retirement Pension

According to the Labour Standards Act, a Korean company has to pay one-month's wage for each year of service to workers who leave the workplace or are laid off. This is called the retirement allowance, which functions as a kind of income support for old age (OECD, 2004: 68). However, retirement allowances have been managed poorly for a long time. The rapid growth rate of wages makes it difficult for large firms to pay the retirement allowances. That is, the excessive wage hinders a reasonable level of benefits for older workers (Phang Ha-Nam, 2004: 20-21).

The Retirement Allowance (RA) has been enforced since 1953 by the Labour Standards Act. It has played a significant role for retirees as a form of income security. After its introduction, RA operated as a statutory welfare system that was mandatorily applied to all companies employing more than five (5) workers. The RA has been run by company contributions. It combines the elements of a statutory system with a representative private welfare system. However, the public welfare system is much more effective than private welfare in terms of coverage and replacement ratio. This system also has characteristics of deferred income. In other words, many Korean companies understand and pay for the RA as a part of the worker's reward for their period of service.

For many years, the RA has had an additional function as an unemployment benefit (or employment insurance), for example, providing income security for later life. Thus, since the introduction of the NPS in 1988 and the enforcement of employment insurance in 1995, the two main roles of the RA have been substantially reduced and separated. As a result, the discussion about the RA's function and its direction has been re-established. It is therefore desirable for the RA to be integrated in an occupational pension. In other words, a retirement

pension can be an alternative.

On the other hand, the RA's role as a form of temporary income security has been enormous because of the insufficiency of other social security measures. Despite the RA's role as a supplementary system for old age income and finance, it has some drawbacks. Firstly, there are still a lot of workers who are not receiving retirement allowances. According to a recent survey, 99% of regular workers receive the allowance whereas only 26.2% of non-regular workers have benefited (Kim Yeon-Myung, 2008: 60).

In other words, under this system, the coverage is still limited. Although the coverage has enlarged, it confers benefits only on long-term workers rather than temporary or daily workers (OECD, 2004: 70).

The pension (retirement allowances) can be withdrawn in the middle of their period of service in the workplace, and therefore the worker can receive benefits when leaving a job, but not retiring. Finally, because of the feature of a lump sum allowance, it could not function as a scheme for old age income security (Kim Yeon-Myung, 2008: 60).

In addition, once the public pension has matured, the reason for the existence of the RA will be weakened and it is therefore likely to be abolished. Thus, public pensions will displace retirement allowances as an important source of income security (OECD, 2004: 70). The RA as a supplementary income support system should be changed; otherwise it will not reflect Korean older people's needs as it has already been transformed into a retirement pension. As the retirement allowance is a lump-sum allowance, it only guarantees temporary income security. On the other hand, the retirement pension has been enforced since 2005 as a part of a three (3)-tier old-age income security system. In effect, the scale of the retirement pension fund was 7,454.6 billion KRW, and there were 1.26 million subscribers as of April 2009. The size of the accumulation fund increased 405 times over three (3) years

from December 2005 to December 2008. 10% of the workplaces employing more than five (5) workers subscribed to the retirement pension. Total number of workplaces is 50,246. Although the scale of the accumulation fund and the subscription rate has increased dramatically, they are relatively low compared with those in developed countries (Ryu Kun-Sik, 2009: 62-64). The workers who subscribed to a retirement pension were only 8% of regular workers. Moreover, the inadequacy of protection in terms of pension rights, the lack of a pension benefits tax break, and strict regulation of asset operation have been obstacles. The OECD countries pursue the policy of a retirement pension for old-age income security. At any rate, for this system, there should be strict supervision of the proper operation of retirement pensions. Also, personal pensions were introduced in 1994 and were revamped in 2001. Administrative support is needed for the improvement of subscriptions and asset accumulation. This has to be reformed to activate the system so that the NPS's burden can be reduced through pension reforms.

National basic livelihood security system

Jo Joon-Yong (2010: 87) argues:

During the past 40 years, the Livelihood Protection Programme (LPP), originally aimed at income maintenance of the 'deserving poor' at the minimum level, was not able to give enough income or employment security. For this reason, Kim Dae-Jung's government replaced the Livelihood Protection Acts dating from 1961 with the National Basic Livelihood Security Act in 1999. Eligibility for the scheme was usually determined through a means-test of the recipient and

according to whether there is a family member in direct line or not.

With regard to the family support obligation rule which is the standard for deciding the recipients by assessing whether older people have a supporter or bread-winner, there have been many disadvantages with the LPP. However, the NBLSS has been improved further since it was introduced in terms of family support obligation rules.

One of the main differences between the LPP and the NBLSS is that the eligibility determination rules for living benefits have changed greatly. In the LPP, all recipients are divided into three groups: residentially protected recipients, institutionally protected recipients, and self-support protected recipients. However, the revised and strengthened NBLSS law guarantees minimum incomes regardless of working ability. Also, benefits are given to those who have working ability. As a result, the number of recipients has increased to 1.54 million people, and the total benefits amounted to 3,437.8 billion KRW in 2007 (Lee Jung-Gwan, 2009: 263). That suggests that the LPP system was inefficient and rigid so that people who need help from government were excluded from the benefits. Thus, the establishment of the NBLSS meant a revolutionary change in public assistance, because the nature of the NBLSS is that it is an entitlement programme in which the government is a provider and citizens have a social right. This means that the government must protect needy people, unlike an appropriations programme in which the government's benefits level depends on national budgets. The latter are affected by the reduced state of national finances when a livelihood protection programme (LPP) is operated. In particular, in order to increase the number of beneficiaries, the demographic condition should not be considered, and family support obligation rules and asset standards need to be improved: assets (estates) such as cars or rented houses should be proffered even for those who cannot receive benefits because they

have supporters (e.g. grown-up children). NBLSS facilitated a sudden change, and made the numbers of recipients increase sharply. The NBLSS has thus become the final safety net. It is a novel system by which the expansion of eligibility in working households was made possible, irrespective of the ability to work. In addition, the income basis is dependent on the minimum cost of living. The amount of money is determined by the Livelihood Central Committee, in which each department of the government and civil experts participate (Ku In-Hoi, 2006: 89-90). The transference from the LPP to the NBLSS implies a change of beneficiary categories, which in turn leads to an increase in the number of recipients of public assistance. The LPP offered benefits to a limited number of welfare targets according to demographic categories. However, the NBLSS is a general public assistance scheme. This guarantees the minimum livelihood to all who face poverty (Lee Jung- Gwan, 2009: 284).

The NBLSS originated from the establishment of LPP under Park Chung-Hee's military regime. His government introduced the LPP law which functioned as a modern relief system. However, the lack of national finance made the enforcement of the law difficult and deterred its extensive operation. At any rate, the purpose of enforcement was to protect poor people's livelihood. In 1961, the LPP law came into effect; the coverage of recipients was limited to people who did not have anyone to support them and to older people 60 years old and over, children 18 years old and below, pregnant women, disabled people, and non-working persons. For almost 20 years, the LPP system played a rudimentary role in the relief of poverty. Although economic growth has played the most important part in solving the problem of poverty, it has its limits (Lee In-Jae et al., 2006: 433). In 1980, President Chun Doo-Hwan's government reinforced the idea of welfare rights for the purpose of justifying his regime, and in 1981, the claimants of LPP were able to join in job training. President Kim Young Sam's government revised (amended) the LPP law to minimise the scope of family

support obligations and self-reliance. The concept that those who could work should participate in meaningful labour was introduced (Lee In-Jae et al., 2006: 434-435).

Looking at the rudimentary characteristics of NBLSS, we see that the purpose of the NBLSS is to play a more important and a more active role as the final social safety net as well as realising the productive welfare system intended by President Kim Dae-Jung's government. In order to assert the principle of public assistance as mentioned above, the amount of income recognition, work incentives and self-support were introduced in the NBLSS law. It improved the level of comprehensiveness, equity, adequacy and productivity (Lee In-Jae et al., 2006: 436).

The beneficiaries of the NBLSS are as follows. To begin with, the recipients of this system should satisfy the requirement for family support. Among the recipients of the NBLSS are included living second-degree brothers and sisters, living first-degree parents and children, and those who are below the level of minimum living expenses according to the level of income recognition. The amount of income recognition was first introduced in NBLSS in 2003. The total sum of the amount of income recognition is calculated in order to decide whether to award benefits.

The NBLSS has three basic principles: the principle of minimum livelihood guarantee, the principle of supplementary benefit and the principle of self-reliance. First of all, the maintenance of a healthy and cultural minimum livelihood has been stipulated in constitutional law. Welfare can be understood in two aspects: welfare which guarantees a minimum living standard and welfare which offers a proper benefits level. This reflects the fact that the degree of Korea's socio-economic development and the difference of benefit levels depend on the change of political conditions. That means, if the economy grows, benefits can be enhanced in some way (Lee In-Jae et al., 2006: 440-441). Secondly, when we

consider the principle of supplementary benefits, the benefit level of the NBLSS should be above that of minimum living expenses in the four basic benefits (living, housing, health and education), self-reliance benefits and beneficiaries' amount of money including the amount of income judgment. Accordingly, the principle of supplementary benefits suggests that the amount of benefits of a household decreases as the amount of income recognition increases. Thirdly, the NBLSS should guarantee a minimum living to those who are in poverty. Its main aim is for recipients to be self-reliant (Lee In-Jae et al., 2006: 441).

There are seven benefits in the NBLSS. First, living benefits are conferred by government agencies to sustain the recipient's livelihood for buying necessary items such as clothing, food and fuel. Medical benefits are based on the special law which was amended from the previous medical protection law, and pay for medical examination, treatment, operations and childbirth. Third, housing benefits are provided to the NBLSS recipients for a better housing environment, for example as rent, maintenance fees and other fees. Education benefits are conferred to provide adequate educational opportunities to the recipient's children. Their aim is to enhance people's ability to support themselves and to prevent the chain of poverty. Self-support benefits aim to enhance self-reliance by offering opportunities to participate in job training, to obtain employment assistance and to take part in the public work (Lee In-Jae et al., 2006: 442-446). Maternity benefits are provided for maternity fees to protect pregnant women financially before and after delivery. Finally, funeral benefits are given for funeral services.

All kinds of benefits are stipulated to cover a wide range of needs. Although there are many people who need help from the government, the system does not have much effect in maintaining the income of recipients. For example, only 20% of older people whose income is lower than the minimum cost of living usually receive the benefits of the NBLSS;

the rest do not receive any benefit (Kim Soo-Hyun et al., 2009: 90).

Most old people (87.9%) are relatively healthy (4.04 million people) to the extent that they can do ordinary activities, whereas 12.1% need care (0.56 million people). The number of older people living alone has increased significantly (Park Ha-Jung, 2006: 15), from 0.83million (18%) to 1.02million in 2010, or 20% of the total older population.

Exclusion from the NBLSS benefits is not just a recent issue in Korea. Many who live in poverty have been excluded from the benefits since the NBLSS was established. The Korean government has made efforts to guarantee a minimum livelihood level, but exclusion has been an increasing problem.

The requirements for recipients are as follows. Firstly, income should be below the minimum cost of living. Secondly, a recipient should not have anyone to support them or should have no ability to support themselves. Finally, family support should not be available. The claimants who satisfy these requirements can get access to benefits (Euh Gi-Gu et al., 2009: 160).

In Korea, the concept of the ‘quasi class’ (the ‘near poor’) is used to identify the population group which is located immediately above the poverty line (Kim Kyo-Sung & Roh Hye-Jin, 2011: 92). Thus, it exists for the purpose of the NBLSS Act in classifying the beneficiaries. According to the second survey of the ‘quasi class’ (the ‘near poor’) (Lee Hyun-Joo et al., 2008), in 2006, it was estimated that the recipients of the NBLSS numbered 1.53 million (3.2% of the total population) whereas the poor who could not receive benefits numbered 1.03 million (2.13%). The population protected by the NBLSS was only three-fifths of the total poor people and the rest were excluded from national support. There have been many debates on the problem of exclusion from benefits, but if the reason for the exclusion is examined, the debates can be settled (Euh Gi-Gu et al., 2009: 161-164).

The take-up rate is no more than 50% ; thus, over a half of the poor are not currently receiving any benefit (Ku In-Hoi, 2006: 91). However, the NBLSS has played an important role in aiding some of the poor, especially older people who are in serious poverty. This system may be seen as a breakthrough since the establishment of the Korean welfare system because it has laid a foundation of welfare benefits based on social right.

Basic Old-Age Pension Scheme

Another pension system is the Basic Old-Age Pension Scheme (BOPS). This scheme was introduced to assist the elderly poor. It was designed to grant benefits to those aged 65 and over, amounting to 70% of the older population (MIHWAF, 2010). Although it is a non-contributory pension that provides extra help for older people in difficult economic circumstances, the main purpose is to provide financial assistance especially for the older people excluded from the NPS.

In general, the aim of this social protection is to compensate old people for their contribution to national economic development and the upbringing of children. They could not prepare for their old age since they had devoted themselves to carrying out these two obligations (MIHWAF, 2010).

Originally, BOPS was a small-scale assistance welfare system. BOPS, formerly called the Seniority Pension Scheme, was a non-contributory pension system which gave additional public aid to older people. This old-fashioned public assistance was characteristically a temporary income assistance system. Those who were excluded from the NPS were the main targets of the policy. The SPS continued until 2007, when the name was changed to the Basic Old- Age Pension Scheme (Jung Chang-Ryul, 2009: 105). Afterwards,

its coverage was extended and the total amount of money for benefits was increased. This pension scheme was designed to cover older people who are 65 years old and over with incomes below 60% of the average for the older poor. In the case of those aged over 70 years old, older people with income below 70% of the average for the older poor could receive benefits. The basic pension system has the following characteristics. First, it is not based on a universal basic pension but on a selective basic pension. If income and savings are above a certain level according to a means-test, then those who need help cannot receive the BOPS benefits. From 2008, older people's monthly income would have to be below 0.4 million KRW in order for them to receive the benefits. However, if a new selective pension method is introduced, it is unlikely that the exclusion problem will be solved. Second, it is a non-contributory pension. Thus, local government budgets as well as the national government's budget are used. Where the financial independence of local governments is high, it is not difficult to provide the funds; where this is not the case, it can be hard to provide the funds. Third, it is a flat-rate pension. If the average monthly income of the NPS recipients increases, then the BOPS benefits are also increased. Accordingly, approximately 3.01 million could receive a pension in 2008 and approximately 3.63 million will be able to receive benefits in the near future.

The Basic Old-Age Pension Scheme (BOPS) was typically applied to the household unit, and therefore it was important to distinguish between a household consisting of a single elderly person and a household consisting of an elderly couple (Koh Deuk-Young, 2008: 26).

The implementation of BOPS increased benefit levels. If we compare the two schemes, the SPS set the benefits at approximately 30,000 to 50,000 KRW, whereas BOPS set the benefits at 84,000 to 134,000 KRW for a couple in 2008, and this allowance is indexed

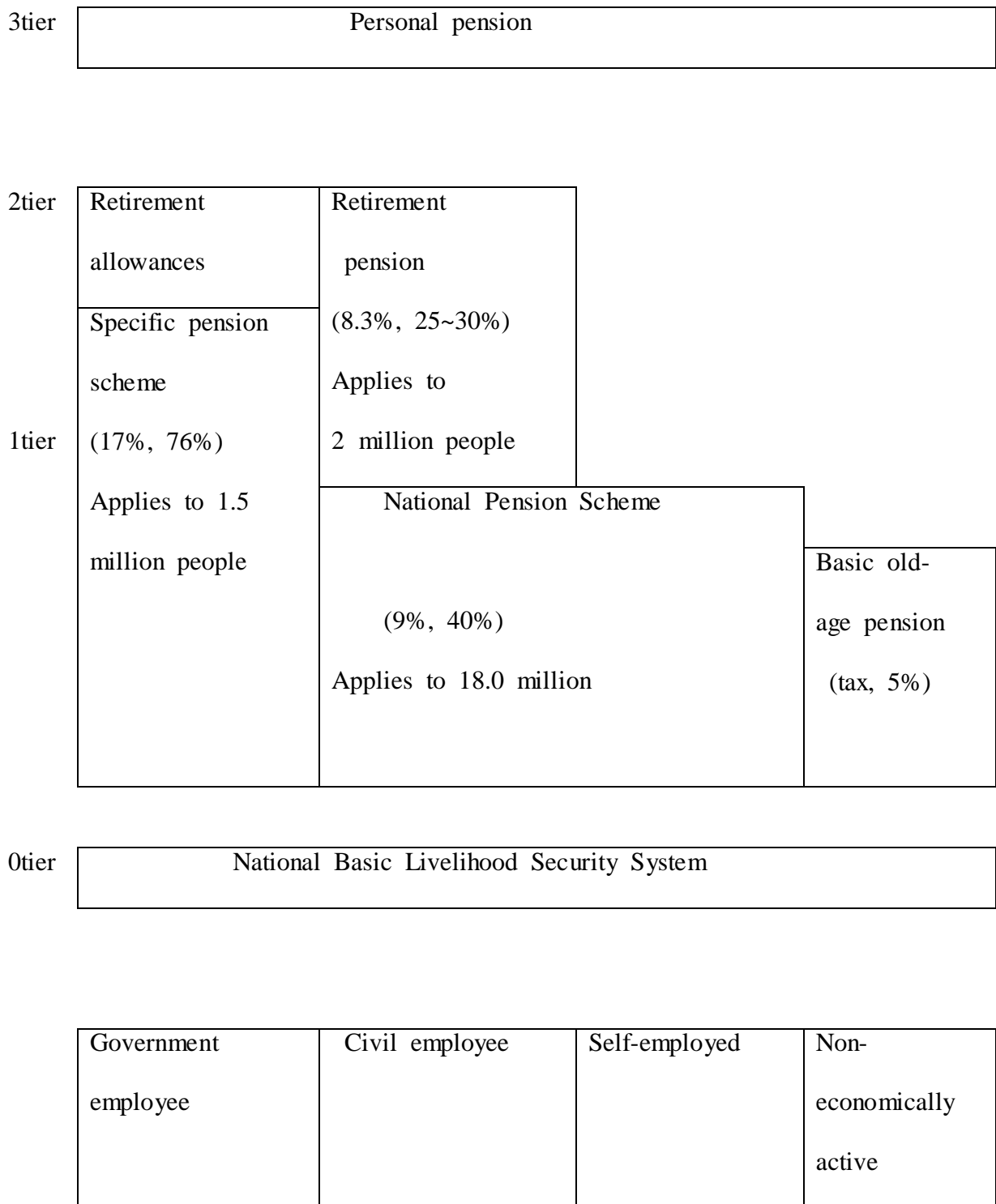
to prices (Jung Chang-Ryul, 2009: 107). Therefore, those who are excluded from public pensions, including the NPS, would qualify for this benefit. These two pension systems must develop simultaneously because they are complementary.

The advantages of the basic pension are as follows. First, it is distributed regardless of labour market participation and contribution. That is, the beneficiaries receive it as a civil right irrespective of whether they are poor. Secondly, the basic pension has been effective in solving the exclusion problem. There are many people who are excluded from benefits, but the basic pension grants benefits even to those who do not subscribe to the NPS. The typical welfare targets can be non-regular workers. Thirdly, the basic pension is usually a flat-rate pension. Thus, it can alleviate income inequality in the labour market. Those who belong to the Bismark method pension receive low pension benefits. For example, non-regular workers and women on low incomes are the main vulnerable groups (Sung Eun-Mi, 2008: 84-85). The disadvantages of the basic pension are two-fold. Firstly, there is a financial problem. The government's financial burden is very high because the pension mainly relies on the national budget. Secondly, the conflict between basic pension beneficiaries and the earnings-related pension recipients has become a policy issue. There is a gap between the group who receive only a basic pension and the group who receive both the basic pension benefits and the earnings-related pension benefits because there is a difference in employment conditions among workers in the labour market which is reflected in the pension benefits. In other words, a new stratification occurs (Sung Eun-Mi, 2008: 86-87).

All things considered, the income redistribution function of BOPS is much stronger than before within the pension pool (Sung Eun-Mi, 2008: 92-93). However, the benefit level is low. The coverage of the older generation is low also. The older people's incomes are not enough to live on; therefore, reform is needed to increase the number of recipients. What is

more, the Korean pension system could be another problem for older people because it still has the problems of exclusion, low coverage and replacement rate. Therefore, the construction of a comprehensive social security net is urgently needed to reduce older people's poverty.

Chart 5-1 Present Old Age Income Security System of Korea



Notes: In brackets the first number refers to the premium or contribution rate, the second

number is the benefit level.

Source: Lee Yong-Ha (2008)

Conclusion

Since the social security sub-systems are so varied, anyone who wants to subscribe can be a recipient. However, some are able to help themselves, whereas others cannot even gain access to the benefits. Thus, it is crucial to discern who is suitable as a welfare recipient.

Above all, the old-age income security system of Korea has only a limited effect in its main function of income redistribution and poverty reduction. The National Pension Scheme has a very low take-up rate, and thus it has not been fully effective as a universal income security system.

In particular, the effect of redistribution by which inequalities among classes can be alleviated has been restricted to the relatively stable class of NPS subscribers, and thus the effect of equalisation in classes between subscribers and non-subscribers did not happen. Some of the public assistance is provided by NBLSS and BOPS is quite effective in terms of poverty reduction among older people and female recipients, although benefits are also limited by the fact that the level of target selection is too strict (Kim Soo-Jin, 2006: 64-65). Furthermore, the basic old age pension scheme (BOPS) needs to play a significant role in supplementing the existing NPS and SPS (specific pension scheme).

Since the 1997 financial crisis, the enlarged social security system has had the following results. First, Korea's market income Gini-coefficient was 0.3616 in 2000, but it worsened to 0.3825 in 2006. At any rate, in the case of Korea, public transfer plays a limited role in reducing poverty. As we mentioned earlier, the poverty reduction effect as well as

income inequality was exacerbated. The poverty rate of Korea as market income standards has been increased from 15.2% in 2000 to 20.2% in 2006 when the poverty line was set at the median income of 50%. If the standard is disposable income, the figures (the poverty rate) increased from 12.0% to 14.8%. Therefore, we can see that, after the financial crisis in 1997, income distribution and poverty deteriorated (Kim Jin-Wook, 2010: 79).

The people who are excluded from the social security system are chiefly non-regular workers and the involuntary jobless. These people could not avoid a shortening of the period for subscribing to a social insurance scheme because of a reduction of working hours accompanied by early retirement. In addition, non-regular and low-income workers were eventually deprived of the benefits of social insurance.

Also, those who work in workplaces having fewer than five employees and those who are self-employed suffer much more serious effects in terms of far-reaching exclusion compared with the average income earners (Jung Moo-Sung, 2006: 439).

For example, in 2009, there are 18.40 million NPS subscribers, of whom 8.63 million are local subscribers (regional members); these are divided into two categories: those who report an income (3.64million), and those who insist that they 'have no income' (5million). They are those who are exempted from contribution (Yoon Seok-Myung et al., 2009: 4-5).

For this reason, we need to consider the effectiveness and efficiency of Korean society's social safety net. In terms of older people's income security, the safety net of the existing system needs to be tightened, and, for NPS, contribution payment assistance or the shortening of the period of contribution is required. More universally, in the context of coordination with NPS and BOPS, we must review the whole system; a tax-based non-contribution pension needs to be introduced.

Chapter 6

OLDER PEOPLE AND THE LABOUR MARKET

Apart from the social security system, the second best way of tackling poverty is through the labour market policy including employment policy. That is because employment can function as supplementary welfare by resolving the pension system's exclusion problem.

The unemployment rate of Korean older people is low. However, the employment rate is high. Many older people are eager to work even after retirement. Their situation demonstrates the reality of unreliable pension coverage and the backwardness of the social safety net. This reality reflects the situation in which there is a strong connection between older people's poverty and forced work.

The characteristics of the Korean labour market are as follows. It is divided into a primary labour market and a secondary labour market. The primary labour market has high wages, decent working conditions and job stability, whereas the secondary labour market has low wages, low benefits, poor working conditions and job instability (Lee Jung-Woo, 2010: 137-138). Some of the disadvantaged workers, such as the non-regular workers, suffer discrimination from employers and regular workers. This conspicuous difference cannot easily be settled by the government. Furthermore, the conservative group (political power) has hesitated in solving this serious problem. However, a law has been passed to prevent this uneven labour market structure, and has been in force since 2007. Nevertheless, this problem still remains unsettled.

In order to alleviate this serious situation, we need to implement the welfare model

described by Rasmussen, the social democratic prime minister of Denmark, as labour ‘flexicurity’, referring to the combination of labour market flexibility in the economy and security for workers (Moon Jin-Young & Lee Jang-Won, 2008: 8). It has been adopted especially by the Danish government, and it is expected to reduce the polarisation of the Korean labour market, which resulted from the IMF’s advice in the financial crisis.

In Chapter 6, I will discuss the characteristics of the Korean labour market and Korean older workers, and the employment situation, my suggested solution for enhancing job opportunities for older people and age discrimination.

Korean older people and the labour market

Population ageing has an impact not only on the size of the future labour force but also on its composition. That is, it means an increase in the older generation as well as an ageing of the labour force (Phang Ha-Nam, 2005: 6). From the OECD (2004) data we can expect the size of the Korean labour force to increase until 2020 as the total population increases. The labour force will be ageing continuously over the next 20 to 30 years.

In an ageing society, the size of the labour force and the labour market participation rate are very important to reduce the number of economically -inactive people. That is to say, they play a significant part in minimising the dependency ratio (Phang Ha-Nam, 2005:7).

According to Hwang (2009:76), the structure of the labour market is changing faster than in the past, and there is a growing concern about older workers among policy-makers. This is not just because poverty has increased, but also because inequality has grown since the economic crisis of 1997. In this context, low-wage labour has increased, entailing job instability, low incomes and non-regular employment. In addition, it may be the main reason

for the sharp increase in the number of poor older people (Hwang Gyu-Jin, 2009: 76). It is evident that non-regular employees have increased to make up 65.3% of the work-force (Hwang Gyu-Jin, 2009: 78). This group has swung between employment and unemployment because of their unstable job situation. Older people are not immune to the changeable and unstable characteristics of the job market. Besides, the polarisation of the labour market has accelerated social inequality by widening the gap between the upper-income class and the lower-income class. Furthermore, relative deprivation and social exclusion are related problems: the income gap in the older generation reflects the polarisation of wages among different types of work. When it comes to the polarisation of the labour market, in other words, as the economy develops, there is a connection between economic growth and employment, and a connection between employment and welfare. The more jobs are created, the more opportunities there are to be employed. This is an economic cycle necessary for any country. However, Korea has been experiencing socio-economic polarisation. The inequality between large and small enterprises caused by globalisation, technological change, and restructuring are representative phenomena. The recent employment polarisation stems from the accumulated effects, not simply from the temporary economic recession (Chun Byeong-Yu et al., 2006: 2).

From a more positive perspective, the reality of Korean older workers can be explained in the following way. The employment rate for older workers has remained relatively high and has continued to grow. The employment growth rate, for people aged 50 and over, was 5.2% in 2004 and 6% in 2006. However, the actual retirement age is about 55, which reflects the reality of older workers' labour market (Grubb et al., 2007).

Although most Korean workers believe that the retirement age should be around 65 years old, many older people have suffered from unemployment and enforced early retirement.

In reality, many of the retirees are in their early 50s and even in their late 40s (Jang Ji-Yeon, 2004b: 109). Moreover, among those who try to withdraw from the labour market, the majority of people move to self-employment and other non-regular work such as temporary work or daily-basis work (Grubb et al., 2007).

According to the data in 2009, for older workers who were 65 years old and over, the economic activity participation rate was 30.1%. It is true that labour market participation of Korean male older workers is 51.5% and in the case of female older workers it was a 22.2% (National statistical office, 2010). When it comes to economic activity those of Korea was higher than that of Germany (4.1%), Netherland (5.6%), Sweden (12.7%), USA (17.2%) and Japan (20.1%). Also it is higher than the OECD average (Yeo Yu-Jin et al., 2012: 52).

In fact, the labour market problem of older workers has not become an issue for a long time, owing to the high economic participation rate. However, the reason for the high economic participation rate is that older workers have been engaged in agriculture (Jang Ji-Yeon, 2004b: 101). Also, the importance of the proportion of older workers who are self-employed cannot be overlooked when we discuss older people's employment (Jang Ji-Yeon, 2004b: 104). In practice, these people usually have low educational attainment and thus do not have human capital such as professional skill and knowledge. Accordingly, they do not have the opportunity to be hired in regular-work sectors.

They are unable to adapt to the labour market in the city since they have difficulty in learning the new techniques required in the context of an industrial society. In particular, older workers are less accustomed to modern information technology, which makes them vulnerable in the job market. The rapid change in society which was caused by huge technological advances through the revolution of IT and new forms of industry has led to a sharp increase in the service sector, the polarisation of segments of the workforce, the

increase in numbers of non-regular workers, and the deepening of relative poverty of marginal workers (Cho Young-Hoon, 2004: 171). Therefore, it has become difficult for older workers to survive in the labour market.

Another reason why older workers have not fully participated in the labour market is the Korean organisational culture stressing hierarchy within enterprises. The way of thinking that expects age and position to be connected is hard to change. That is, employees think that in principle their position should be fitting to their age. For example, high-level duties should be allocated to older people. Thus, most Korean companies, that have no intention of enlarging the organisational structure and size of the work force, no longer take it for granted that workers should be promoted according to age or length of service, because older workers can be a burden to employers. Therefore, for older workers who are not expecting an upward movement in the company, long-term employment is becoming harder (Jang Ji-Yeon, 2004b: 109).

As discussed above, the high labour market participation rate of older workers originates from the high rate of self-employment in the Korean labour market. Korea has a higher percentage of self-employment than the other OECD countries. This proportion rises with age: 75% of older workers aged 65 and over are mainly engaged in self-employed work. Typically, the self-employed stay longer in the labour market than ordinary wage workers. This explains the high rate of employment among the self-employed (Phang Ha-Nam, 2005: 15).

As was shown in Chapter 4, self-employment is the most insecure type of occupation because most self-employed people run small businesses which are vulnerable to the continued economic recession. Thus, it is hard for older workers to maintain their livelihood properly. However, older workers are likely to be engaged in self-employment

owing to their low employability in most workplaces.

Older people have been inappropriately treated because of the prejudice that they only have low skills and short school careers. In effect, older people's poverty is closely related to changes in social and labour market structure, such as the shift of manpower from agriculture to manufacturing and then to the service sector. A large number of people who are in low wage jobs and are employed in non-regular work sectors reflect the real labour situations of workers in Korea. Among workers in their late 50s and over, regular workers are outnumbered by non-regular workers in 2004 (Kim Jin-Wook, 2006: 212). Originally, the problem of non-regular workers was an outcome of the Korean government's policy of pursuing labour market flexibility, which had been carried out as part of the IMF's solution to the economic crisis. A variety of policies such as enforcement of labour flexibility enabled Korean people to overcome adversity, especially through efforts to reduce high costs in the labour market. For instance, there were a number of measures taken by companies such as downsizing and decreasing the debt as part of structural adjustment. In any case, older people are facing the situation of involuntary retirement and non-regular work.

More recently, if we look at the way in which the labour market overcame the global economic crisis in 2008-2009, the quick recovery of the Korean economy reflected the resilience of the Korean unemployment rate. The pre-crisis level was 3.1% in December 2007. In contrast, the OECD average unemployment rate in the fourth quarter of 2010 was 8.5%, although some journalists and scholars have pointed out that this figure is somewhat problematic. Since then, there should have been an improvement in the labour market for Korean older people. In the interests of promoting the labour market participation of older workers, it is also important to avoid the negative impact of population ageing on the Korean labour market. The average labour market participation rate for male and female workers

aged 55-64 years old was 62.7% and their employment rate was 60.9% in 2010. Those rates are higher than the OECD average (OECD, 2011b: 12-15).

Characteristics of Korean older workers

The unemployment of older people is at a low level; that is, many older people are engaged in work, in spite of the fact that they usually work in the low-wage sectors.

According to the table below, 40% of female workers are engaged in low-wage jobs. This is a serious problem, when compared with the figure of 15.6% for male workers. By age, except for the age group 15-19 (78.2%), the age group 60 and over has the highest proportion of workers in low-wage employment.

Table 6-1 Low-Wage Employment by Gender and Age Group in Korea

(Percentages)

		Percentage with low wages
Total workforce		25.8
Gender	Male	15.6
	Female	40.0
Age group	15-19	78.2
	20-29	23.9
	30-39	15.5
	40-49	23.8
	50-59	34.3
	60 and over	65.5

Notes: 1. ‘Low wage’ means that the wage per hour is below two-thirds of median income (4,603 KRW in 2006). On the other hand, according to OECD reports (2006, 2007), in order to avoid the misunderstanding that the increase in part-time workers’ employment means the rise of low-wage workers, ‘low wage’ is defined as average monthly income below two-thirds of median income, applied to full-time wage earners. (The OECD introduced this definition, as two-thirds of the median income of full-time workers, to avoid distortion of the figures by the rise in part-time workers) (Lee Byung-Hee et al., 2008:14).

Source: National Statistical Office (2006: 8)

The poor working conditions in terms of income, company welfare and universal social insurance have made older workers' situation worse because there is no guarantee that they will benefit from the social security system. In addition, the company welfare system is not enough to satisfy the employees owing to insufficient wages. Also, it is hard to enhance the level of basic welfare because of the divided labour market.

Moreover, low-wage labour may cause in-work poverty. Poor pay discourages people from subscribing to social insurance, particularly, employment insurance (unemployment benefit). This is a structural problem derived from the limitations of the social insurance contribution system. Not being able to qualify for some social protection benefits, they are excluded from the basic social safety net.

Table 6-2 Welfare Coverage for Low-Wage Workers (percentages)

		All wage workers	High wage	Low wage
Subscription rate of social insurance	NPS	62.6	76.5	29.2
	Health insurance	63.2	76.5	31.3
	Employment insurance	54.6	65.8	27.5
Coverage rate of company welfare	Retirement allowances	54.6	68.9	20.0
	Bonus	53.3	67.8	18.3
	Overtime allowance	42.4	54.6	12.8
	Paid holiday	43.7	56.2	13.3

Source: National Statistical Office (2006)

The subscription rates of high-wage workers and low-wage workers are completely different. In Table 6-2, the NPS coverage is 76.5% for high-wage workers, while that of low-wage workers is only 29.2%. In the same way, for retirement allowances, the figure is 68.9% for high-wage labour and 20.0% for low-wage labour.

Non-regular workers' coverage under social insurance is as follows. First of all, social insurance, such as the National Pension Scheme and health insurance benefits, is open to almost all regular workers. However, the number of non-regular workers who receive benefits is only one-third of the number of regular workers who do so. For employment insurance (unemployment benefit), the situation is more disadvantageous for non-regular workers. The subscription rate of regular workers is 80.5% while that of non-regular workers is only 29.7%. As far as the other working conditions are concerned, most regular workers receive the retirement allowance and bonus while only 20% of non-regular workers receive a bonus and retirement allowance. Finally, overtime allowances and paid holidays are provided for only 14-16% of non-regular workers compared with 80% of regular workers (Kim Jin-Wook, 2006: 215).

Employment situation in old age

If we consider the quality of employment, we find that a high employment rate does not always mean good working conditions. Most of the older workers are engaged in agriculture and non-regular work which provides insufficient income. The retirement age is around 55 years old and those who retired at 56-59 years old account for one-third, of all

workers according to Ahn (1996). The desire to be re-employed is high among older people who retire early. Re-employment is relatively easy but it is only possible in the marginalised work sectors such as temporary and daily-basis work. The importance of older people's employment has risen because of the weakened family support systems. On the other hand, Korean society's social insurance has been established only quite recently. As discussed above, this is the main reason for the older generation's need to work and to improve their chances of getting a job (Park Kyung-Sook, 2003: 89-92).

The welfare efforts through older person's labour in Korea

The Korean government has been enforcing job creation for older people because 11.8% of all older people do not have jobs despite wanting to work (KIHASA, 2004). Thus, for the purpose of facilitating social participation, income support, utilising older people's experience and improve health in old age, the Korean government has been promoting the elderly job project since 2004. In a 2008 project, in order to help those older people who wanted to find a job, the government offered 117,000 jobs. The authorities provided jobs for older people who want to work. However, older people have difficulty in finding jobs due to their low educational background and low skills. Thus, there is a need to create jobs suitable for older people in order to solve the problems of the older poor. Instead of simple occupations, more productive jobs which can contribute to welfare need to be created and then it should be possible to focus on socially useful jobs. On the other hand, the private sector creates 20,000 jobs every year, and tries to create more advantageous and strategic jobs (MOHW, 2010: 187-189).

The present situation and the significance of the elderly job project in Korea

The elderly job project has been carried out since the early 2000s in order to create jobs for older workers. When we review the significance of the elderly job project, we can understand that to give older workers job opportunities is to offer them financial assistance through complementary income security and to improve their quality of life. Moreover, it alleviates the burden on the family which is supposed to support older people. In fact, in term of social participation, the elderly job project helps to create a productive old age. Thus, the idea that older people are non-productive should be challenged. Also, this project can make social integration easier as older people would be appreciated as valuable members of society through 'active ageing' (Won Young-Hee & Kim Wook, 2006: 26-27).

Originally, the elderly job project was enforced in order to enhance the quality of jobs as well as the quantity of jobs. Moreover, the enlargement of work opportunities requires the participation of many companies and of society as a whole. Since 2004, this project has been pursued by the Ministry of Health and Welfare, the Korea Labour Force Development Institute for the Aged, and a variety of agencies, including community senior clubs and senior welfare centres. The elderly job project was carried out by 1,100 institutes until 2010.

More specifically, the elderly job project is classified as an official sector programme or a non-official sector programme according to whether or not there is support for personnel expenses. The official sector programme is divided into 'public common good' type, 'educational' type and 'welfare' types of work. These kinds of jobs consist of 3-4 working hours in a day, 3-4 days a week, and are therefore part-time jobs. In particular, the public common good type is offered to those who have no professional skills and to the oldest people. This has been enforced for the sake of raising the self-esteem of the elderly people

participating, and tackling the current issues of local communities such as security, traffic safety and even school violence. The educational type is intended for older people who have teaching experience. It is also intended for elderly people who have taken specific job training programmes. Thus, a few older people work as instructors in local educational institutes and related organisations. They also work in the local area, especially in the main cultural and natural ecological facilities, as commentators. Finally, the welfare type provides older people who are in the local area with social services through welfare agency. It sometimes happens at their home (Kim Jun-Hwan, 2010: 158-161).

The non-official sector programmes are the labour force dispatch type and the market type. Generally, working hours are longer than in the public common good type, and the pay is higher because of the bonus system. To begin with, the purpose of the labour force dispatch type is to give decent pay to older people who finish a specific training course and are dispatched with relevant business skills. Next, the market type is to secure a stable income for the elderly from suitable jobs such as small-scale entrepreneurship and professionally managing agencies (Kim Jun-Hwan, 2010: 162).

Age discrimination

Minichiello et al. (2000) claim: 'Ageism is a set of social relations that discriminate against older people and set them apart by defining and understanding them in an oversimplified, generalised way.' Some studies related to ageism have reviewed how the attitudes and beliefs of younger generations have a negative effect on older people's chances and equivalent treatment (Minichiello et al., 2000: 254). Giles et al. (2002) argue that younger people respond to older people in stereotyped ways. 'Ageism' might be a cause of

older people's poverty. The low employability of older people suggests that their situation in the job market is not favourable. Older people experience severe exclusions, especially when they experience obstacles to entering the labour market. Strictly speaking, the older generation has been discriminated against in the workplace because it is assumed that older people are inferior to younger generations in ability and efficiency owing to their old age; that is to say, the older they get, the lower their productivity. Ageing generally means a decline in physical strength, the ability to react instantly, declining eyesight, etc. However, getting older also means the accumulation of knowledge and experience, the enhancement of networking capability within an organisation, and being more cautious. Consequently, the ageing of workers does not necessarily mean a decline of productivity (Shin Dong-Gyun, 2004: 40). On the other hand, the employment and pay structure of Korea is inefficient because of the seniority system and the habitual practice of early retirement. The reason for the inefficiency of the seniority system is that achievement and motivation are more likely to be disregarded in comparison with the tradition that older persons were favoured by the company's wage policy.

The seniority system means that higher wages are paid to those in higher positions. This specific company structure typically aims at inspiring loyalty to the organisation. However, owing to the reality of this habitual practice, a large number of companies are unwilling to recruit older people because of the labour costs. For these reasons, Korean older people often have trouble in finding jobs. More precisely, the conflict between younger and older generations is derived not just from the difference of social and political value but also from the difference of equity, namely, the incorrect distribution of resources that makes the two generations unequal (Bengtson et al., 2006: 20). Thus, we need to see this problem from a wider point of view.

If we consider age discrimination, we find an unfairness of treatment in employment. The reason why interest in the older labour market is needed is that the number of older people who want to participate in the labour market has been increasing but the number of older people who are economically productive has been decreasing.

Table 6-3 Trends in Population and Employment by Age Group (percentages)

	Proportion of the entire population			Proportion of productive population		
	0-14	15-64	65 and over	15-24	25-49	50-64
2000	21.1	71.7	7.2	22.8	58.8	18.4
2010	17.2	72.1	10.7	18.3	56.8	25.0
2020	13.9	71.0	15.1	16.4	50.8	32.9
2030	12.4	64.6	23.1	14.8	49.1	36.0
2040	11.5	58.4	30.1	14.7	49.4	35.9
2050	10.5	55.1	34.4	15.4	47.0	37.6

Sources: Jang Ji-Yeon (2002) National Statistical Office (2001)

As shown in the table above, those who are 15-64 years old accounted for about 70% of the entire population in 2000 and 2010 and will do so in 2020, whereas the proportion of those who are 65 years old and over is increasing gradually. According to the data about the

productive activities of respective age groups, the productive population of the older age group (50-64) has increased steadily.

From a different perspective, age discrimination has an influence on the economic situation because the inefficient distribution of human resources within one nation causes an unjust and ineffective labour market. The younger generations have a duty to provide social support for the marginalised elderly poor through the social security system. Otherwise, older people can be a burden to youngsters. Thus, it causes generational conflict and discord (Table 6-4).

Table 6-4 Generation Gap and Inter-Generational Conflict

		Young people		Older people	
		Persons	%	Persons	%
Generation gap	Very much	57	12.42	73	23.86
	Much	165	35.95	139	45.42
	So so	161	35.08	46	15.03
	Not much	70	15.25	40	13.07
	Not in the least	6	1.31	8	2.61
	Total	459	100.00	306	100.00

The age at which people experience a generation gap	10s	22	4.81	50	17.48
	20s	19	4.16	107	37.41
	30s	23	5.03	84	29.37
	40s	190	41.58	32	11.19
	50s	85	18.60	8	2.80
	60s	53	11.60	3	1.05
	70s and over	65	14.22	2	0.70
	Total	457	100.00	286	100.00
Generation conflict	Very much	38	8.32	52	17.33
	Much	136	29.76	127	42.33
	So so	202	44.20	61	20.33
	Not much	68	14.88	50	16.67
	Not in the least	13	2.84	10	3.33
	Total	457	100.00	300	100.00
The age at which people experience a generation conflict	10s	36	7.98	39	13.73
	20s	19	4.21	117	41.20
	30s	26	5.76	78	27.46
	40s	226	50.11	37	13.03
	50s	76	16.85	9	3.17
	60s	37	8.20	1	0.35
	70s and over	31	6.87	3	1.06

	Total	451	100.00	284	100.00
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Source: Kim Ji-Young (2005: 66)

Whereas 35.95% of young people responded that they felt that there was a serious generation gap, 45.42% of older people responded in the same way. This result shows that older people felt the generation gap more than younger respondents. On inter-generational conflict, 8.32% of young people and 17.33% of older people responded that there was serious inter-generational conflict. Overall, this means that older people experience much more conflict than young people do.

Meanwhile, there has been the exclusion of older people from the labour market accompanied by discrimination by many employers and personnel managers in workplaces. Moreover, within their life course, older people have been under huge pressure from the company to retire early, particularly when the economic crisis happened in 1997. Also, youth unemployment has become an issue recently. It is a complicated problem. On the one hand, there will be an increase in low paid jobs. Even in 2013, non-regular work existed and would not disappear. Thus, the problem of low-wage and non-regular work has not been addressed owing to the government's lack of intervention in the Korean labour market; as a result, older people are more likely to be employed in low-wage jobs.

In the near future, the older generation will form the majority of the population; therefore it is questionable whether early retirement by old people can be a solution to the problem of youth unemployment. Sometimes it seems to be an effective policy for maintaining productivity in a corporation and thereby solving the unemployment problem. However, early retirement will never be the best solution because older people are discharged

from the labour market without any preparation for their old age, which causes problems for the older unemployed. Thus, all members of society should agree on the necessity of older people's employment. That is, if Korean society reaches an agreement regarding elderly employment, the matter of ageism will be settled gradually. To achieve this, efforts to create inter-generational harmony, for instance activities to resolve the generation gap, are required.

The individual's right to work and right to self-realisation are curtailed by social isolation and discrimination from society. It is caused by early retirement and the difficulty of re-employment. Therefore, regardless of the equality of opportunity to work, the fundamental right to work must be protected faithfully (Park Kyung-Sook, 2004: 192). In addition, when making the relevant laws, the authority concerned should consider that it would be important to prevent any kind of discrimination derived from ageism. The Korean legal system will be effective as long as the constitutional law, the highest law, is well observed. Government officials and political leaders can also take responsibility to guarantee basic human rights.

More precisely, the problem of age discrimination, according to the perspective of the constitutional law, is expressed in the following way. Age discrimination is against the guarantee of human dignity, value and freedom, and respect for individual choice would help to make each person's social participation and integration better (Cho Yong-Man et al., 2004: 136). Thus, to assist their subsistence and to encourage them to do participate in productive ageing, ageism should be abolished and all forms of discrimination must be eradicated.

The labour market should be open to older people after retirement. In spite of their poor skill and knowledge, they are able to engage in work in their old age. This is not just for the livelihood of older generations but also for their active ageing in later life. It is also related to older people's self-reliance and self-confidence. All things considered, if Korean older people in poverty cannot have access to decent jobs, then they will become poorer due

to low-wage work. If they have an opportunity in an equal job market, they may not be poor.

Conclusion

Korean labour market situation is more unstable than one might think. Thus, many of older workers suffer from structural low-wages in the service sector, unfair treatment in terms of fringe benefits; all kinds of discrimination is experienced by those who are employed in non-regular work. In addition, work conditions (situations) are not favourable for older workers due to the seniority wage system and early retirement compared with advanced Western society. OECD countries have extended the retirement age of older workers.

Precarious employment is a major problem for older people. Poverty is caused not only by low-paid job and unemployment but also by job instability (Kim Young-Ran, 2005: 49). Low-wages originated from globalisation and the change in labour market structure. Thus, segmentation of the labour market and polarisation of the job market as well as the increase in low income jobs has occurred in Korea since two economic crises (Kim Young-Ran, 2005: 50).

As a consequence, older workers who are engaged in low-wage employment and non-regular work have to receive benefits from many kinds of social insurance. The Korean government should take measures to decrease low-wages and non-regular work to resolve this structural problem. A massive job creation scheme led by government or private companies is required. In particular, elderly job project should be activated and expanded. Various programmes like active ageing and the collaboration between national government, market enterprise and households is needed.

When it comes to the elderly job project, first, government needs to create more jobs. Second, it needs to be supervised by the government including welfare agency and it should reflect the situation of economic recession as well as requirement of each individual company. Also, to participate in better programme, older people should be active for job search. Furthermore, flexible personnel management and strict follow-up is requested as well.

In Britain, job seeker allowances are offered to the unemployed of working age. In Korea, unemployment benefits are also paid to those who lose a job. A better safety net is needed for Korean older workers.

Also, existing older workers must be re-employed or their retirement age should be readjusted. More fundamentally, ageism should be eradicated. To improve this situation, local communities and authorities should concern themselves with working together to improve the image of older workers and end prejudice against them.

More specifically, age discrimination must be abolished among employers and the general public. In this regard, almost all countries' researchers show that publicity and campaigning for older workers can play a significant role in preventing age discrimination.

Chapter 7

SOCIAL EXPENDITURE AND POVERTY POLICY IN KOREA

Although the welfare budget has been small, the Korean social security systems have been established one after another since Korea experienced the IMF financial crisis. However, the Korean government has to expand social spending beyond the limits of the welfare system. Meanwhile, administrators and policy-makers have focused on more external forms such as welfare systems and their operations. In other words, every scheme is excellent, but to achieve a substantial advancement in welfare much effort should be made in the consideration of poverty policy.

First of all, the underdevelopment of the welfare state in Korea will be discussed. As I mentioned earlier, social insurance and employment-friendly welfare need to be considered together with social expenditure to relieve poverty. In addition, in tracing the history of poverty policy, I will examine the backwardness of the existing basic public assistance and institutional care and the meagreness of poverty policy. Furthermore, the past three governments' welfare policies and their implications will be investigated using both ideological and political approaches.

Finally, old poverty and new poverty will be explored in order to deal with Korean older people's poverty. In short, this thesis tries to illuminate the problem of older poverty in Korea from a multi-dimensional perspective.

Korean welfare state under-development

Welfare has a function in ensuring a minimum income when individuals face social risks, and in preventing older people, disabled persons, the unemployed, persons in long-term sickness and low-income workers from dropping out of the market competition in a capitalist society. The poor and socially excluded should be protected by the state. Thus, we cannot deny the role of the state, because social advancement depends on the degree of welfare provision.

In this respect, the development of welfare in Korea has been delayed for a long time. The reason for this is that political leaders and administrators of past governments focused only on economic growth and industrial achievement. In addition, the Korean government, which sought to oppose the communist state of North Korea, suppressed the desire for democratisation whereby the people would be able to govern through participation and to choose their representatives more directly. In addition, relatively weak labour unions have not brought about the reinforcement of bargaining power in the discussion of social welfare (Koh Se-Hoon, 2007: 181-182). Although the weak labour unions need to be pointed out as one reason for the underdevelopment of Korean welfare, some researchers tell us that, since the IMF financial crisis, the unique welfare system has developed without the power of the labour unions (Jung Moo-Kwon, 2009: 114).

In the same context, the underdevelopment of social welfare in Korea originates from the strong and consistent authoritarian economy and the bureaucratic government. This could also be explained in terms of the close connections between state and capital. For this reason, the Korean government officials and the CEOs or owners of Chaebol (conglomerate companies) had a close connection with the ruling hegemony. This relationship makes

difficult the establishment of a state welfare policy. In particular, the immaturity of democracy has been one of the reasons for the retardation of Korean welfare. In addition, the absence of consensus among the labour sectors in terms of social democratic politics and corporatism could be another reason (Koh Se-Hoon, 2005: 423). However, from a historical perspective, the main cause of the delayed transition to the welfare state was the principle of the developmental state and the low priority given to the demand for welfare in economic and social structural features such as the excessive pursuit of economic growth. The susceptibility of civil society and public indifference to welfare can also be pointed out. As Western countries have developed welfare states, the progressive policies of left-wing political parties have a role in preventing the cutback of welfare. However, in Korean political reality, Korean rightists as well as minority leftist parties cannot play a significant role in forming the consensus regarding welfare efforts.

According to Holiday (2000) and White and Goodman (1998), regarding the welfare regime, Korea had been in a special situation in terms of the industrialisation and the backwardness of welfare state. As mentioned above, especially in East Asia including Korea, developmentalism the tendency for the welfare state to play handmaiden to economic, and the state-led process of industrialisation downplayed social welfare policy because of the lack of interest in protecting vulnerable people. Besides, economic growth was regarded as a panacea in this sort of country. Thus, social policy was formed not by universal social right or citizenship, but as an instrument to assist economic growth. This led to an excessive emphasis on the importance of human capital development policy including an education or health and welfare system rather than poverty prevention and alleviation of social inequality (Moon Jin-Young & Lee Jang-Won, 2008: 79).

Also, the under-development of Korean social welfare was influenced by the lack

of a consistent philosophy or ideology about a welfare state. In other words, the government had no vision of a welfare society. Moreover, the residual approach of adapting to circumstances had characterised the Korean government's shortsighted policy on welfare. For example, the Korean government had not yet made specific and long-term plans on how to make budgets for social welfare. Through labour policy and the tax system, the government should decide how the welfare system will run in the near future, how the government will spend the money for making a better welfare state, and what priorities should guide the use of national finances allocated to vulnerable people.

Thus, the Korean government needs to conduct more systematic and consistent research about the reality of Korean welfare, and it has to take responsibility for making sensible preparations for the formation of a system (Koh Se-Hoon, 2007: 173-174). Lee Gang-Hee (2001: 39) points out that, although Korean society formally has a complete welfare system, it is so superficial, unrealistic and unhelpful that social protection is not sufficient to meet the need for welfare. If we see the welfare system's rank when it was introduced, we can compare how a certain country's welfare develops. In addition, the rate of social expenditure as a standard can be used to evaluate the degree of development in social welfare. The next table shows when social welfare systems were established.

Table 7-1 The number of countries with Social Insurance Systems

Type of social insurance system	The number of nation in enforcement	Korea's year of enforcement
National Pension Scheme	166	1988 enforcement
Health insurance	111	1977 enforcement
Workers' compensation insurance	164	1964 enforcement
Unemployment insurance	68	1995 enforcement
Family allowance	86	Non-enforcement

Source: Lee Gang-Hee (2001)

The national welfare pension law was established in 1973, and the National Pension Scheme was introduced in 1988, the 130th in the world. Health insurance, which was already enforced in 111 countries, was established in 1963 when the health insurance law was enacted. However, it was not until 1976 and a second amendment in 1977 that it came into effect and it was enforced for all people in 1989. We can therefore see that it took a long time

for the laws to be actually enforced from when they were made. Furthermore, unemployment insurance was established in 1995, 68th in the world. Finally, family allowances in Korea have not been enforced and have not even been suggested up to this time although they have been operating in 86 nations. This represents how low Korea's social welfare standard is when compared with the economic success of the country (Lee Gang-Hee, 2001: 41-42).

As well as the insufficiency of the social safety net and the delay in enforcing social insurance, the low level of social expenditure caused the small size of the welfare budget including the financial contribution of the nation (Koh Se-Hoon, 2007: 181). Moreover, social security was established quite late in comparison with other welfare states. Briefly, the Korean welfare system is not sufficient to protect vulnerable people. More surprisingly, there is no practical poverty policy that can contribute to a welfare state. In addition, welfare systems are not sufficient in terms of coverage and level of benefits. In other words, although Korea has four main social insurance schemes and the national basic livelihood security system, they are yet to be developed quantitatively and qualitatively.

Social expenditure by the Korean government

There is a debate in Korea with respect to the scale of welfare spending. To put it briefly, the whole welfare level, that is, the percentage of welfare spending in GDP including private welfare, is far below that of Western countries. If we consider the figures, firstly, Western European societies spend 30% of GDP on average every year on welfare whereas Korean society spends slightly over 6% (Koh Se-Hoon, 2007: 195). To be more specific, according to the OECD data, Korean welfare spending is low though Korea is the 12th largest economic power in the world (OECD, 2007). Korean GDP per capita was almost US\$ 20,000

in 2007. These figures definitely determine the level of state welfare in light of state's welfare efforts (Ji Eun-Gu, 2009: 113). However, the OECD data suggest that there is room for improvement in terms of expansion of state welfare.

In spite of the welfare state crisis, most Western countries could not reduce the finance for welfare. On the contrary, welfare efforts and the need to expand their financial scale have steadily increased all around the world. Korea has been no exception since the IMF crisis. A small number of welfare laws and systems were built up one after another and the social security systems came into being in the 2000s. However, the data for 2007 show each country's public social expenditure as a percentage of GDP. It was Mexico that showed the least amount of public social expenditure, 7.2% of GDP; Korea had almost the same amount of public social expenditure, 7.6% of GDP (OECD, 2011: 17).

Table 7-2 Public Social Expenditure by Broad Social Policy Area in Percentage of GDP,
2007

Sweden	27.3	Italy	24.9	Czech	18.8
France	28.4	Portugal	22.5	Holland	20.1
Denmark	26.0	Poland	19.8	Switzerland	18.5
Germany	25.2	Hungary	22.9	Spain	21.6
Belgium	26.3	Finland	24.9	UK	20.5

Austria	26.4	Luxembourg	20.6	Iceland	14.6
Norway	20.8	Greece	21.3	New Zealand	18.4
Mexico	7.2	South Korea	7.6	Australia	16.0
Japan	18.7	Slovakia	15.7	Canada	16.9
USA	16.2	Ireland	16.3	Turkey	10.5
Slovenia	20.3	Estonia	13.0	Israel	15.5
Chile	10.6	OECD-34 average	19.2		

Note: Countries are ranked by decreasing order of public social expenditure as a percentage of GDP. Spending on Active Labour Market Programmes (ALMPs) cannot be separated into cash or services; they are however included in the total public spending.

Source: OECD Social Expenditure Database (SOCX)

Social, Employment and Migration Working Papers (OECD, 2011)

As can be seen, the data represent the lack of Korean welfare efforts, showing that

Korea makes less effort than any other OECD countries. Korea's ranking is 33rd in many different kinds of welfare inputs.

To analyse the data of the OECD, we need to refer to the SOCX (social expenditure data base), which was developed in the 1990s. The data base is divided into the following sections: old age, survivors, benefits for disabled people, health, family, active labour market policy, unemployment and housing. Other social policy areas exist to calculate all OECD countries' welfare input (Ji Eun-Gu, 2009: 113-115).

Although this analysis is based on old statistics collected between 1980 and 2003, almost all other countries spent more on old age and health than Korea. This indicates that many countries will experience the effect of population ageing and subsequent demand for health-related budgets (Ji Eun-Gu, 2009: 119). Moreover, public expenditure on health services amounted to less than 6% of GDP in 2007. On the other hand, the expenditure on other social services such as childcare, and home helps, was just over 2% of GDP (OECD, 2011: 18).

Also, the OECD data illustrate that, if we compare OECD countries' public social welfare expenditure with total general government expenditure, the figure was 43.6% for the USA, 53.9% for Sweden and 64.7% for Japan, while the figure for Korea was only 23.8% (Lee Jung-Gwan, 2009: 328).

Table 7-3 OECD Countries' Public Social Welfare Expenditure rate in comparison with Total General Government Expenditure (2005)

Nation	South Korea	Sweden	France	United Kingdom	United States	Japan
%	23.8	53.9	54.4	64.3	43.6	64.7

Source: OECD (2007) Social Expenditure Database

As mentioned above, population ageing and the rising health costs will put the welfare state under pressure because economic growth will slow down and fall behind in the face of this potential challenge. However, welfare inputs will never decrease owing to the increased demand for welfare which is the need for welfare benefits, and there is a much brighter prospect for a far-reaching extension of welfare efforts, according to recent trends. In this regard, the need for welfare increased much more than the past. In other words, the Korean government should increase funding for older people and vulnerable groups. However, as long as the national budget for various welfare policies is affordable, many attempts to provide welfare should be implemented.

The history of Korean poverty policy

If we consider poverty policy from the 1960s to the present, Korea has not

introduced the sort of policy that has operated in Western welfare states, with a few exceptions. It was not until the 1990s that the welfare system was enforced. However, there were efforts by the past military government and Kim Young-Sam's government to expand welfare, specifically the NPS. The advent of the leftist government, the Kim Dae-Jung government, implied that there had to be some turning point for the progress of the welfare system. The Korean poverty policy entered a new transition period because of the economic crisis in 1997. The financial crisis caused by foreign exchange instability provided a good opportunity to improve the welfare system because the economic difficulty brought about the necessity of a social safety net for the first time (Kim Soo-Hyun et al., 2009: 281). Before the economic crisis, the only solution to poverty was the livelihood protection system that was enacted in 1961 and enforced as a representative welfare system. This was the livelihood protection provision for children under the age of 18 and disabled and incapable persons (Lee Jung-Gwan, 2009: 260). Also, private transfers from family, relatives and work played a rudimentary role.

The proportion of people living below the minimum cost of living dropped to 5% in the 1990s, indicating the reduction in absolute poverty. Until that time, the only poverty policy was a very passive system of public assistance and institutional care (not residential care in the sense of services offered in each client's home) which was applied only to older people without children and to disabled people (Kim Soo-Hyun et al., 2009: 279). Before and after the economic crisis, to work or to get help from the family was the only way to resolve the problem of poverty. Since the mid 1970s, the social security system had been pushed forward by the military government, which for example, enacted the medical protection law (1976), and the amendment of LPP (Livelihood Protection Programme) (1982) was a new attempt to build up public welfare, but social security was far from being implemented

effectively. In any case, when it comes to social insurance, SPS (Specific Pension Scheme) such as GEPS (Government Employee Pension Scheme) and the Workers' Compensation Scheme had been implemented in the 1960s. In addition to this, health insurance was introduced in the late 1970s, NPS (National Pension Scheme) appeared in 1988, and finally in 1995 employment insurance began to be enforced (Lee Jung-Gwan, 2009: 260-261).

The 1997 economic crisis was a very tough time for Korean people. Many people were depressed by aspects of the economic crisis, for example, the slump in asset prices and the stock market. In particular, vulnerable people experienced great distress. The skyrocketing unemployment rate and the increasing poverty rate also made Korean people feel stressed. This was the time when the necessity of a social safety net was raised and began to be discussed. Thus, Kim Dae-Jung's government enforced the policy of helping the poor in 1998; for example, by the temporary livelihood protection scheme. This policy included action to double the numbers of recipients. At this time, there was a breakthrough in the public assistance system with the introduction of the National Basic Livelihood Security System (NBLSS) from October 2000.

The socio-economic background of the NBLSS was the IMF financial crisis which had caused massive unemployment and poverty. At that time, various social problems occurred, such as family disintegration due to poverty, a sudden increase in homelessness, and a high rate of suicide. The economic difficulty of vulnerable people was the decisive reason for the enactment of the NBLSS law. The financial risk they faced persuaded the Kim Dae-Jung government to establish a social safety net. The NBLSS placed an emphasis on self-reliance through work. This represented 'productive welfare' as the ideology of welfare policy. In addition, the family support obligation rules were revised to increase beneficiaries. The participation of civil society in the establishment of the institutions was remarkable and

prominent and it marked a new epoch for the welfare system (Kim Young-Soon & Kwon Soon-Mi, 2008: 228-231).

Under this system even people capable of work were able to receive benefits, including housing benefits as well as living benefits; the benefit level was set at the minimum cost of living. Overall, over the decade since the IMF financial crisis, public spending for social welfare has expanded, and the increase in social policy spending was much larger than in other areas. In particular, under the Roh Moo-Hyun government, the level of spending for social insurance, social services, housing and community development increased remarkably (Kim Soo-Hyun et al., 2009: 288). According to 2009 data, 1,460,830 people received benefits (Kim Soo-Hyun et al., 2009: 280-282).

Most of the social insurance systems have been enforced by the government, and the expansion of each pension and insurance benefit followed in succession. In addition, long-term care insurance and the Basic Old-Age Pension scheme for old people started to operate in 2008.

The principles and efforts in social policy of three recent governments

In the first place, the Kim Dae-Jung government sought to promote productive welfare, which comprised three subsidiary-concepts: ‘welfare as a human right and citizenship’, ‘welfare through work’, and ‘welfare as social solidarity’. Productive welfare means the extension of universal ideology and fulfillment of the constitutional law doctrine. In addition, the welfare target was changed from unemployable persons to those who were able to work. This means that the importance of workfare was stressed in this government’s labour policy (Kim Jin-Wook, 2006: 232-233). In relation to newer and more politically

stable development planning in both democracy and market economy, we can understand the doctrine of Kim Dae-Jung government's social policy. To promote a balanced welfare state, Kim's government claimed that welfare should not be a hindrance to economic growth. During his tenure, the logic of welfare pluralism dominated discussion of the activation of a private welfare system. In brief, the ideology of Kim Dae-Jung's government accepted the neo-liberal perspective that was partly due to the influence of the IMF (Kim Jin-Wook, 2006: 232-235).

The Kim Dae-Jung government pursued a number of large-scale welfare policy reforms while it was in power. Some researchers claim that the policies of the period were aimed at the expansion of state welfare (Kim Yeon-Myung, 2001). Other researchers such as Jung Moo-Kwon (2000) and Cho Young-Hoon (2001) argue that it was based on neo-liberal logic. However, the Kim Dae-Jung government was regarded as being responsible for the beginning of the welfare state in Korea.

The most impressive advance was to enact a National Basic Livelihood Security System in 2000. It was enforced for the sake of the class which was just above the poverty line. For health benefits, the treatment which was given without cost to the patient was helpful in improving the services provided to people from at least 61 years old to 65 years old. This was an epoch-making measure because the coverage for older people was increased. Finally, the NPS coverage was expanded to all self-employed people in urban areas in 1999. In addition, the seniority pension system was introduced to assist older people's finance in 1998; it was a non-contributory pension for low-income people aged 65 and over. Although it was changed into the Basic Old Age Pension System in 2008, the threshold of the basic pension was introduced by the Kim Dae-Jung government (Kim Kyo-Sung, 2009: 239). Eventually, each welfare area was developed, and the welfare targets, including older people,

received a greater range of benefits and services.

The left-wing Roh Moo-Hyun government enforced an even more progressive policy. The Roh government's welfare policy was basically an extension of that of the Kim Dae-Jung government. The Roh government pushed forward a policy of participation welfare that let ordinary people take part in it. This had three characteristics: welfare universality, national responsibility, and facilitation of people's participation. As mentioned above, participation welfare succeeded the doctrine of productive welfare of the Kim Dae-Jung government. However, it was different from the previous government's ideology, being a reflection of the change in social reality (Kim Jin-Wook, 2006: 248).

Through the discussion of the Roh government's merits and demerits, we can see that it tried specifically to improve income security, putting emphasis on social insurance and public assistance through settling the problem of the excluded recipients. In this context, the social insurance coverage for non-regular workers increased by more than 10%. Also, the claimants of NBLSS increased to 1.35 million people in 2002 and 1.67 million people in 2007. The related national budgets doubled during the same period. In order to help the working poor, the EITC system was introduced in 2008 and the income security of poor older people was strengthened by means of the Basic Old Age Pension Scheme. However, 70% of the entire labour forces are still in non-regular employment. If we look at the NPS, we see that the number of people exempted from payment has increased. Furthermore, even absolute poverty increased to 8.2% in 2000 and 11.6% in 2006 (Kim Young-Soon, 2009: 55-56).

Nevertheless, the Roh Government's achievement was the expansion of child care assistance and the implementation of long-term care insurance for older people. In this period, the retirement pension was introduced in 2005, but was not effective, owing to the shortage of publicity. For this reason, except for the Basic Old Age Pension Scheme, the amount of

benefits was small, and this welfare system was not efficient in reducing older people's poverty (Kim Young-Soon, 2009: 56). As Table 7-4 shows, between 2008 and 2010 the number of persons who received BOPS benefits increased by 700,000. However, the amount of benefits was only increased from 85,000 KRW to 105,000 KRW.

Table 7-4 Projection of Recipients and Benefits under the Basic Old-Age Pension

Year	The number of recipients	Average amount of benefits per capita (monthly amount, 1,000 KRW)	
		Current Prices	2007 price standard
2008	3,012,000	85	80
2010	3,748,000	105	87

Source: Yoon Seok-Myung (2007: 336)

After the presidential election in 2007, the accession to power of the conservative

right-wing government brought about many different kinds of changes in terms of political, economic and social factors. For instance, there was a reduction of taxes, especially for rich people, and relaxation of regulations. The Lee Myung-Bak government's policies were conservative. However, these caused massive resistance; Korean society had already become a welfare-oriented country. For this reason, the Lee government began to enforce a pragmatic policy which was also friendly to the common man and woman. Korean people expected much from the Lee Myung-Bak government. For example, a newly-suggested housing policy for common people and a university student tuition fee loan support programme were seen as better policies than those of the previous government.

When President Lee Myung-Bak took office in February 2008, his government suggested 'active welfare'. This means that the state should prevent social risks such as poverty and disease, and further it should provide opportunities for vulnerable people facing social contingencies to improve again through work. President Lee insisted that economic growth and distribution needed to be combined for social welfare. This approach implies that the government should provide jobs for people who can work and the state should take responsibility for the needy and protect them (Lee Jung-Gwan, 2009: 268).

The Lee Myung-Bak government's welfare policies can be evaluated in terms of the national budget. First of all, with regard to those with a low income, their livelihood assistance policy was implemented after the 2008 global economic crisis. The national assistance triggered all policies to expand temporarily, such as the amount of the various welfare benefits and the quality of each social security policy: the NBLSS (National Basic Livelihood Security System), income maintenance programmes and EITC (Earned Income Tax Credit) system. In the case of the NBLSS, the amount of basic asset deducted by government rose to ease the standard for eligibility to receive benefits. As a result, the

number of beneficiaries is expected to increase to about 54,000. Also, those who experience a sudden fall into poverty and are excluded from the NBLSS benefits would get help from the urgent assistance system through a relaxation of the conditions of receipt. In 2009, a budget of 51.5 billion KRW was allocated an increase of 37% compared with the previous year's budget. On the other hand, the EITC which began in September 2009 has been expanded in terms of coverage and benefit level (Shin Dong-Myeon, 2009: 280-281). Poverty policy for older people is the same as or less systematic than the previous government's because the Lee Myung-Bak government allocated relatively small budgets for the elderly poor. The older age group is situated at the margins of policy. Thus, there is nothing specific for that group except the housing policy and the prevention of age discrimination. Moreover, job creation for older workers had been taking place over the last decade. It could be said that the accomplishments of the Lee government are the enhancement of the continuity of the NPS and the resolution of some problems of exclusion from the system. The Basic Old-Age Pension Scheme which was designed to increase the pension covered up to 60% of the older population in 2008 (MOHW, 2010).

Poverty alleviation and reduction policy

Poverty policy for older people

The fundamental reason for poverty in old age is the immaturity of Korea's social security system. In the course of the development of social insurance over the past years, public assistance has functioned as a guarantee to address extreme poverty, placing an emphasis on subsistence. On the other hand, social insurance schemes such as the NPS are

for people who have a certain income level (Cho Young-Hoon, 2006: 166). Korean social security schemes for solving the poverty problems are the BOPS (Basic Old Age Pension Scheme) and the NBLSS (National Basic Livelihood Security System).

In the first place, the BOPS must expand its coverage and play a significant role in the basic pension. In other words, it is desirable to coordinate in local governments because local governments pay 40-90% of the budgets. Moreover, the characteristics of the scheme should be clear. Experts argue the BOPS needs to change into a 100% universal basic pension or a type of public assistance for the low-income older population (Jung Kyung-Hee et al., 2009: 12). In addition, the NBLSS should be reformed by getting rid of its disadvantages, such as the exclusion problem, even though the main issues here are the family support obligation rule and the consideration of the amount of money of income appreciation. Therefore, the need for alleviation of stringent regulations has to be addressed.

For the future, there are three problems with the NBLSS. First, regional differences in the assessment of minimum cost of living should be settled to distribute benefits equally. There are differences in the minimum living expenses between the capital city Seoul and other regions. Second, the benefit system needs to be changed from integrated benefits into partial benefits. A beneficiary receives the living, medical, education, and housing benefits, but there are no benefits for non-beneficiaries. Thus, a partial benefit system is indispensable for covering the poor, and it also needs to distribute benefits efficiently. Finally, private provision should be considered. This system respects and satisfies the desires of the welfare consumers rather than those of providers. Moreover, it has an advantage in establishing a network of regional welfare that involves many sources such as local government, religion organisations, voluntary organisations and civic groups (Lee Jung-Gwan, 2009: 322- 331).

Traditional poverty policies are aimed at non-working older people, especially

people more susceptible to existing social risks such as disease, disability, and old age, including the elderly living alone. They need to be protected by the state. In Korea, elderly single households amount to more than 1.0 million. Thus, apart from healthy older people who are able to work, poverty policies firstly have to be implemented in terms of pension and assistance, as I mentioned in Chapter 5. If older people really need to work, job creation for older people will be a new option (alternative) for improving self-reliance. Of course, this policy is applicable to the ‘young-old’ (elderly people 65 to 75 years old), because the ‘old-old’ (elderly people who are 75 years old and over) cannot carry out high-intensity labour. However, Gough (1979: 47) points out that the boundaries between the working and non-working groups are not fixed. Although this claim is based on the capitalist mode of production, it highlights the importance and necessity of differentiation among older people, particularly, in relation to their role in the labour market. From the ‘active ageing’ perspective, Choi Sung-Jae & Kim Tae-Sung (2002) claims that older people aged 75 and over should not be ruled out from working simply because they are regarded as being frail and dependent. They need to be included in the active ageing policy. In other words, activity and health enable older people to live in better conditions. On the other hand, age discrimination can be a barrier to entering the labour market. For this reason, national efforts are required to make relevant laws and reinforce workplace inspections.

Poverty policy for older people from the perspective of new poverty

‘New poverty’ is connected with low wages, low income and precarious employment. Thus, new poverty requires various new policies. The policies for those with low incomes (non-regular workers, poor self-employed) can be divided into many different

forms. ‘Working poor’ means people who are working but do not escape poverty. This is typically composed of the household unit. Healthy older people who are able to work can be classified as households consisting of two or more members.

Poverty policies for the working poor are as follows. The core policies for addressing new poverty depend on two things: minimum wage level’s expansion and the Earned Income Tax Credit (EITC)’s substantiality. The minimum wage exists for the protection of low-wage workers: the state sets up a minimum level of wages, and requires employers by law to pay wages above a certain level. Regarding the minimum wage, government officials and scholars have various opinions. On the one hand, fair wages are guaranteed, to supplement the income of low-wage workers’ households. On the other hand, older people may lose their jobs because of the ‘high’ minimum wage (Lee Byung-Hee et al., 2008: 151).

The EITC was introduced in 2008 and was enforced in 2009 to assist the near-poverty excluded from the NBLSS. The Korean EITC system is similar to that in the US. Since it was introduced, it has brought about many problems, such as limited coverage and low benefit levels. The other problem concerning the EITC system is that it can only help working households that do not include the self-employed, farmers and fishermen.

Essentially, the EITC system has excluded the beneficiaries of the NBLSS. As of June 2008, the total sum of household assets is below 100,000,000 KRW and the standard of benefits is dependent upon a couple’s earned income (Lee Byung-Hee et al., 2010: 140). The EITC can be compared to the British Working Tax Credit, and it plays an important role as a benefit for those in work. Also, there is a need to improve the quality of jobs. In particular, job quality can be enhanced by each company’s efforts. It is necessary to try to build up moderate-income jobs instead of low-income jobs in the labour market.

In addition, appropriate working conditions in terms of elderly people's work capability and working hours should be considered as prerequisites for the creation of decent jobs, since inappropriate working conditions and long working hours can be harmful for older people (OECD, 2004: 95-96).

For business management, decent jobs are helpful for enabling older people to stay longer in a company. In addition, most companies employing older people should create reasonable and suitable jobs requiring proper skill and knowledge rather than sticking to low labour costs. This also needs governmental measures. Through job training and lifelong education, older people can acquire sufficient knowledge and skills. Furthermore, not only simple job creation but human capital development is required. In particular, social investment strategy focusing on education and training should be enforced by central government, local government and various welfare agencies. In practice, the elderly job project needs to create decent jobs, and other labour market policies must be pursued with the aim of enhancing older people's employability.

Conclusion

The social expenditure of Korea is minimal compared with other OECD countries. The Korean government has a variety of social security systems. More than anything else, this social safety net can function only when there are plentiful resources. For this reason, the economic resources (national budget) should be distributed and allocated equally and efficiently by the government. In Korea, for a long time a developmental state dominated. This featured suppressive rule and authoritarian government which was a barrier to the welfare state. The conservatives regard excessive welfare as unnecessary and

disadvantageous: unreasonable welfare levels hinder the efficiency of society and hampers economic growth. Nevertheless, the establishment of welfare state is needed as long as poverty class exists. However, the approach should be sustainable. First, cash benefits need to be decreased and a more employment-friendly welfare system introduced. Second, the total public social expenditure should be increased but its speed controlled so long as national debt is problematic. Finally, firm (steadfast) poverty policy must be established targeting the right people. During the previous decades, poverty policy has existed in name but not in reality. Thus, the need to develop a policy for Korean older poor is strongly required.

Additionally, for the future, an increase in the health costs of older people must be considered. All around the world, this phenomenon is hard to avoid. However, this can be solved if we take the situation of skyrocketing health cost into consideration prudently. Therefore, the preparation for the ageing of population would be an important task.

In summary, the welfare system needs to be developed in order for wide coverage and a proper benefits level to be achieved. The previous three governments have highlighted the expansion of welfare, but the crucial issue at present is the efficiency and sustainability of the welfare system. Kim Dae-Jung's government has laid the foundation of the welfare state since the 1997 financial crisis. Rho Moo-Hyun government is clear that the efforts to expand the welfare system are extraordinary. However, Lee Myung-Bak government has not increased the total amount of welfare budgets substantially. The welfare efforts in his government are somewhat insufficient. Thus, irreversible increases of total welfare spending need to be considered by administrative agencies.

Poverty policy should be implemented according to two approaches. Old poverty and new poverty have their own features, and each type of poverty has to be addressed by the effective solutions. Especially, for old poverty, policies such as NPS and NBLSS have a

significant role in reducing old risk like poverty, unemployment, old age. Minimum wage and EITC play an important role in functioning as secondary solutions of elderly poverty as well as low-wage, job instability. Thus, Minimum wage needs to be maintained to a proper standard. EITC can be the supplementary benefits among NBLSS recipients.

The Korean government has to keep the lesson of Western countries in mind in light of their successes and failures. The under-development of the welfare state in Korea will be addressed in the near future. To do so, new government should take on the principle for more productive and efficient welfare state as I mentioned above.

Chapter 8

CONCLUSION

Main findings

The main findings of this research are as follows. The development state is the main cause of older people's poverty; many researchers admit that the character of the Korean welfare state is close to a productivity welfare regime or a development welfare regime of East Asian nations (Jung Moo-Kwon, 2009, 128-129). The emancipation from Japan's occupation and the Korean War has affected Korea's aims of national policy in terms of economic and industrial policy. To escape from desperate absolute poverty, the Korean government had to focus on the industrial realm with limited resources. Korea was able to achieve in thirty years a level of economic development, comparable to the level of economic development that advanced countries achieved in a hundred to two hundred years.

As far as poverty is concerned, a variety of theoretical and empirical approaches have been studied. Poverty should be examined in terms of subsistence because poverty is considered as a failure of basic income maintenance according to Townsend's point of view. However, looking at the reality of Korea, we need to highlight the relative aspects of poverty; as Townsend (1987) claims, 'Poverty can be defined objectively and applied consistently only in terms of the concept of relative deprivation.' The poverty of Korean society has shifted from simple lack of income to relative deprivation and social exclusion. Thus, many studies of poverty in Korea have emphasised the relative point of view, focusing on issues such as the income difference among the social classes and the isolation of marginal groups from the

mainstream.

One of the important aspects of older person's poverty is income polarisation. It has been main social problem since the 1997 financial crisis happened. Korean society has labelled the income inequality as polarisation. However, income inequality is totally different from income polarisation. The meaning of polarisation is somewhat political and thus, it reflects to some extent the will of people. Older people's polarisation originates from the income gap among each age group. This means that richer older households can receive a public pension (NPS) and they still work in a decent job. Whereas the poorer older households cannot receive state pension, their asset income is zero and private transfers from their children are often not sufficient because their offspring cannot afford to pay more. Elderly household and non-elderly household have difference in terms of income and asset. This facilitates the polarisation between elderly households by each age group and social class within older people. In other words, this problem causes inequality during their life course by income difference between young-old and old-old age groups.

In this context, recently, older people living alone became more than 1.0 million in 2010 and it reached approximately 1.19 million in 2012 (Lee Jung-Gwan & Kim Jun-Hyun, 2013: 192). Some older persons have become impoverished due to their lack of support from their children. In other words, their children have not survived or they are alive but refuse support or cannot pay enough. The problem is that solitary older people have suffered from multiple deprivation and poverty. They experience housing poverty living in cramped, basement or attic rooms. When it comes to their health poverty, they often have disability, chronic diseases, and are undernourished. All things considered, elderly living alone should be protected by government policy for example in terms of social care.

The National Pension Scheme (NPS) as the state pension of Korea plays an

important role in redistributing resources, but even among the NPS subscribers, there is inequality. There has been a wide range of people who are excluded from being pensioners. This means that some receive a pension for his or her contribution, whereas others cannot become beneficiaries owing to their inability to contribute to the pension fund, because those who are engaged in low-income work cannot afford to pay sufficient money. Furthermore, a large number of non-regular workers do not have benefits provided by the social security system. The self-employed have only recently been covered by unemployment benefits but these are still insufficient to guarantee the maintenance of their income. The majority of older workers are non-regular workers or poor self-employed. For these reasons, older people hardly receive any pension income from the state. It is evident that a state pension takes the form of a traditional welfare system and it should play a crucial role in insuring against older risks derived from unemployment, old age and old poverty, as mentioned earlier.

In Korea, private transfers have previously played an important role in preventing poverty. In the circumstances in which public transfers, such as public pensions and public assistance, are not sufficient, aid from charity organisations and income transfers from family and relatives are becoming even more important. In practice, this monetary help is intended to contribute to the older person's income maintenance (Ku In-Hoi, 2006: 79). Private transfers are still more prevalent than public transfers for poverty reduction. The income difference between the two has decreased considerably. After the introduction of NBLSS, the reduction effect in the poverty rate of public transfers is 60% of that of private transfers (Hong Kyung-Zoon, 2002: 82). However, this principal income source has decreased owing to family disintegration. The rise in the divorce rate and the increase in the number of lone parents have changed the family structure. Unhappy marriages in particular cause distress within families when the separation of a couple results in the reduction in household income

for women. Thus, in broken families, older people now scarcely get any living expenses from their adult children (Pahl, 2007: 196).

Working older people are usually engaged in low-wage labour. Although their employment rate is relatively high and those who are economically active are many, older people typically work in poor situations in their later life (the period after the age of 65). The OECD (2005) countries agreed that older people's employment was an alternative to their unproductive old age. In other words, employment offsets the costs of low economic growth affected by population ageing and it might be able to curb the increases in public spending (OECD, 2005: 6). Furthermore, older people's labour participation may enable the Korean government to decrease the costs for all kinds of pensions and welfare benefits.

Economic activity among older people is an important factor. In fact, it determines whether they are poor or not. Usually, older people who have no job are most likely to be poor. Although they can work, they are in a dilemma whether to join the marginal labour market or spend time without earnings. In this regard, they can hardly earn enough income. Also, the 1997 financial crisis made Korean older workers of 55 years old and over leave the labour market; their labour is essential for resolving their economic difficulties and for income maintenance (Jang Ji-Yeon, 2004: 101). As long as older people are participating in economic activity, this will play a part in addressing the increasing support costs (Jang Ji-Yeon, 2004: 101).

From my point of view, old poverty and new poverty co-exist in Korean society, especially among older people. There are still many demographic groups that suffer from traditional poverty. Furthermore, their poverty is close to absolute poverty. Among the working population, there are many 'working poor', that is, those who are poor in spite of having a wage. The situation of older people is complicated because they have fewer chances

to get a job, and if they do, it is unlikely to be a decent job. This is because the reality of Korea is that there are few types of work that are suitable for Korean older people and the low-wage labour market is far-reaching. On the contrary, Jang Se-Hoon (2006: 45) points out that the term ‘new poverty’ emphasises that the working poor should be understood in terms of ‘in-work poverty’, that is, the situation in which people cannot escape poverty in spite of working. Moreover, in-work poverty needs to be examined in terms of the extent to which it includes the peripheral (marginal) working class in the old poverty situation. The aspects of new poverty result from existing poverty. Thus, the new poverty means a change in existing poverty.

Until recently, poverty policy had not been pursued for a long time. Only after the financial crisis did it begin to be discussed as a critical social problem. Firstly, as a social safety net, pensions function at the basic level of income security. However, the economic hardship has led many older people to work in the labour market since the 2000s. People who were not eligible for welfare benefits had to work for their livelihood. This approach was known as self-reliance. Nevertheless, the social security system is important. For the establishment of social security, the Korean government has to make continuous efforts, especially to reduce exclusion from the NPS and the NBLSS. Therefore, both social security and labour market policy should be pursued simultaneously for the elderly poor.

Policy implications and proposals

The poverty of Korean older people exists in the forms of old and new poverty. We can therefore conclude that both aspects need to be dealt with. The traditional social security system has to cover old poverty, especially the ‘old-old’ age group (aged 75 and over)

because there are a multitude of workers excluded from employment. On the other hand, the ‘young-old’ (aged 65-74) should stay in the labour market as long as they can work and are healthy. It is claimed that the NPS and the NBLSS have to lead the welfare system to reduce risks such as old age, poverty and unemployment. For the elderly, low-income work when they were young is the main reason for the persistence of poverty. Also, alongside the social security system, such as public pensions and public assistance, private transfers should function only as secondary support. Furthermore, little by little, there should be more opportunities to increase public transfers. Welfare measures such as pensions, benefits and allowances are vital for poverty reduction. Also, social insurance in the form of public pensions, public assistance and the basic pension already has a function in alleviating poverty (Kim Jin-Wook, 2004). Tax and social security are the most effective factors for income redistribution. Recently, the traditional welfare system has been weakened by the development of the ‘welfare to work’ programme which means that people who are dependent on welfare benefits return to paid work. This concept was generally used to explain the policy of bringing the long-term unemployed back into work in the New Deal policy (Vickerstaff, 2006: 162). The newly emerging social risks such as low wages, low incomes, low skills and careers and precarious employment (job instability) have begun to limit the sustainability of existing welfare. Thus, in order to address the new poverty, a different type of welfare, in other words the ‘welfare to work’ programme, needs to achieve more productive and efficient results. At present, we should not choose either work or welfare, but combine them effectively (Ku In-Hoi, 2006: 124). In Korean society, two welfare approaches are required at the same time. However, the focus should be on the work, because benefits, especially cash benefits, are sometimes misused, and can be harmful, for instance, when used by recipients for the purchase of alcoholic beverages. Moreover, older people

really want to engage in meaningful work. Recently, the level of health and education among some groups of old people has steadily been enhanced. The numbers of older people who are able to actively cope with changes in their situation has increased (Lee Sam-Sik, 2007: 19). In this context, social investment policy that highlights active welfare rather than the consumption of welfare is valid as long as equal opportunities are given to older people.

Firstly, the NPS should be able to reduce the numbers of excluded people in order to push forward the policy of assisting vulnerable local subscribers (regional members). It should pay everyone without an employer's contribution. In addition, although coverage has been expanded and benefit levels have been coordinated by governments that have come to power in the last two decades, the best thing to do is to follow faithfully the principle that a sustainable and safe NPS fund should be created. More than anything else, the inclusion of excluded people will be a main issue. The difficult economic situation caused by the financial crisis in 2008 aggravated the issue of excluded people. Pensioners exempted from payment reached 58.2% (5.05 million out of 8.68 million people). These people are vulnerable to poverty after retirement (Shin Young-Seok, 2011: 33). Some argue that the income threshold should be lowered in order to solve the problem of exclusion (Shin Young-Seok, 2011: 34). Others argue that the income threshold should be raised, taking into consideration the increase in the income level (Yoon Seok-Myung, 2010: 35). The pension fund, which is expected to be exhausted in 2060, must be stabilised for the security of long-term resources. Thus it is inevitable that the contribution rates will be raised.

The increase in the number of NBLSS recipients is important. Moreover, if asset-related standards are improved, many older households would receive the NBLSS benefits. The relaxation of rules which oblige family support is urgent as well. As a public assistance benefit, the NBLSS has two characteristics: the supplementary benefit and the integrated

benefit. As discussed above, first, the supplementary benefit means that, if recipients have earnings, the living benefit is deducted. This method has the merit that the number of welfare recipients can be expanded because the benefit can provide as much as they need for their basic livelihood. In cases where a recipient does not work, their disposable income becomes similar to the minimum cost of living. Thus, the number of recipients who intend to work may decrease.

On the other hand, the integrated benefit is the method by which the recipient gets seven benefits, such as living benefits, housing benefits, and medical benefits. That is, the recipient can receive all the benefits. Conversely, if the beneficiary is deprived of the status of recipient of the NBLSS, they will lose their eligibility to all the benefits at the same time. That is, it is thought of as an ‘all or nothing’ method. Therefore, in cases where recipients are able to earn money and sustain their livelihood for themselves, they might find it hard to give up their eligibility to receive the benefits. Poor people usually maintain their status as the recipient which is called the ‘poverty trap’ (Yang Jae-Jin et al., 2008: 212-213).

In terms of the number of recipients there is a problem that the number of beneficiaries has not been much changed. Thus, if the number of recipients is limited by budget pressure, the financial burden on local government should be alleviated, because such a common practice can result in a more serious financial problem for local government, which in turn causes low financial independence (Park Neung-Hoo, 2010: 9-10). Park Neung-Hoo (2010: 10) argues that the adequacy of benefits can be controversial. Meanwhile, the minimum cost of living which determines the poverty line has not changed much. Thus, a healthy and culturally acceptable minimum standard of living was not possible because NBLSS could not cover many vulnerable people. As a policy proposal, the NBLSS needs to be connected with other social protection measures such as the NPS and the BOPS to

improve the system (Park Neung-Hoo, 2010: 13). More widely, the NBLSS has a function as a final social safety net, while the NPS stands as the first safety net. Between these two, the BOPS play an important role in filling the gap. This is the multi-pillar social security system (Koh Kyung-Suk, 2010: 2-4).

The BOPS (basic old age pension scheme) also has to play an important role as a supplementary income aid. The number of beneficiaries needs to be expanded from the short-term prospective. Although the BOPS functions to alleviate the exclusion problem of the NPS, the financial resources required for the BOPS will increase in the future because of the increase in the number of older people following the rapid population ageing. In this context, it seems that the universal pension system will cause a rise in taxation for future generations, and Korea will also face instability (unsoundness) in its public finance as long as the government chooses the universal system. Therefore, the Korean government should consider a selective system, such as a minimum pension guarantee or minimum income guarantee. In the former, the government pays the balance to secure pension benefits of a minimum standard when the pension benefits level is under a certain level. In the latter, regardless of the pension benefits level, the supplementary public assistance is paid if the total income level is under the poverty line. Thus, it is clear that the financial burden on taxpayers would decrease if financial aid was conferred only on poor older people. It can be established through a means-test (Moon Hyung-Pyo, 2007: 75-76). Even though minimum income guarantee is notorious for strict means testing in the UK, this problem needs to be settled by a pension test and a loose means-test (Yang Jae-Jin, 2011: 106). In other words, the financial resources of this system should be re-allocated according to the selective basic pension system. The financial resources must be put in the right place so that needy older people would receive them (Ku In-Hoi, 2006: 123). However, the authorities concerned must try to

alleviate the stigma. In this case, those who do want to receive benefits need to claim the benefits again.

The EITC system needs to be enlarged and the minimum wage level needs to be improved. The EITC has been enforced in order to help low-income workers. It has to be designed to increase their disposable income through turning back amount of money after imposing a tax from their original income. Thus, this system that has a chance to get incentive is just as giving cash benefits. In this sense, the EITC can be characterised as a wage assistance programme (Kim Young-Ran, 2004: 264). More specifically, this system needs to be strengthened to play an important role in helping those near poverty who are not covered by the NBLSS. Thus, not only for wage workers but also for other types of workers such as the self-employed, the expansion of coverage and the enhancement of benefit levels are indispensable (Lee Byung-Hee et al., 2008: 125). In the near future, the EITC benefits need to be provided and determined by the number of children that each household supports. In other words, the benefit levels should be adjusted to the number of children. That is, the more children there are in household, the higher the benefit level is. Thus, in order to include among the recipients all the working poor, who comprise 10% of the total population, welfare targets need to be expanded. In the interest of equity, it is desirable that self-employed, agricultural and fishing industry workers should also receive benefits (Euh Gi-Gu, 2009: 42-43).

In order to minimise cost, the government is trying to move the function of social security from national intervention to the market. If the minimum wage was relatively high, it would definitely reduce the number of low-income workers (Kim Young-Ran, 2004: 263). The guarantee of a minimum wage would not only protect the livelihood of low-income workers but also decrease every kind of social and economic burden through alleviation of

the income gap. Moreover, if the Korean government makes use of the minimum wage and sustains its function properly, it would activate the Korean economy and further settle the social problems due to income polarisation as well as solving the low-wage problem (Huh Yoon-Jung, 2010: 17). However, the minimum wage sometimes makes workers lose their jobs because the owners are likely to fire the workers in response to the increase in wage levels. Moreover, the reality shows that young and older people have been susceptible to changes in the minimum wage. This problem has a negative effect on their employment rate. Such a negative effect usually acts on people who have relatively high wages in comparison with their productivity (Lee Byung-Hee et al., 2008: 178). When we discuss the minimum wage, we need to be able to think over the unexpected results, such as dismissal from the workplace.

Finally, in the labour market, the status of older workers must be improved. To achieve this, the awareness of personnel managers and the general public about older workers should be raised. In addition, a variety of ‘welfare to work’ policies have to be enforced. In the first place, the present self-reliance policy needs to be improved. ‘Active ageing’ is a concept created to describe the management of human capital especially for older workers. This has been suggested as a solution to older people’s poverty by the European Commission. It needs to go together with the elderly job project of the Korean government. That is, job creation for older people and human capital development should be considered as an Active Labour Market Policy (ALMP). The ALMP has three main programmes: vocational (job) training, job placement and employment support services. Although the ALMP is achieved through the government’s affirmative intervention, as I explained earlier, the advancement of existing social insurance policy will probably be achieved by the Make Work Pay policy (MWP). The MWP is an attractive policy because it is better to work than to do nothing. The

prerequisite of this policy is individual responsibility. This policy reduces tax, social insurance fees, and cash benefits and benefits in kind (Kim Hye-Won, 2008: 24-25).

An improvement in job quality for low-wage workers is strongly required. Otherwise, precarious employments such as temporary work, contract work and unskilled occupations create only prolonged poverty. Overall, the policies for Korean older poor have to be supplemented one by one, because existing policies such as NPS, NBLSS, BOPS, EITC, minimum wage and labour market policy should be reformed and build up on the basis of current social consensus. Korean people resist taxation and even it is unlikely to be suitable for universal welfare. Thus, existing welfare system needs to be reinforced rather than exploring and establishing new solution. All in all, in particular rapid population ageing threaten national budget (debt) stability owing to excessive expenditure to not only BOPS, NBLSS but also child cares benefits. For this reasons, the next government's welfare efforts should be increased but need to remember sustainable welfare state discussion must lead the welfare issues in the uncertain aged society.

In this context, social investment policy can be the framework that shares the values of a sustainable welfare policy. That is, the middle way or the pragmatic approach is able to reduce the conflict between economic growth and income redistribution.

When all things are considered in the light of the Korean situation, the middle way needs to be applied carefully and selectively to politics, society and even the welfare state. The reason why I mentioned the middle way is that it offers an alternative to the conflict between the progressive party and the conservative party. It explains (includes) the Roh Moo-Hyun government's policy in 2007 as a part of social investment strategy and even Lee Myung-Bak's government's pragmatic approach and active welfare policy in spite of the fact that the basis and ideology of the Lee government's policy are totally different from those of

the previous two governments (Kim Yeon-Myung, 2009: 25). The characteristics of the middle way are found in the British experiences of the old left, which was the social democratic party, and the new right which dominated from the late 1970s to the mid 1990s. Without this kind of experience, the boundary between left and right in Korea become ambiguous, since the debate over whether universal welfare or selective welfare is suitable for the situation of Korean welfare (Im Chae-Won, 2007: 44). The current escape from the ideological struggle has implicitly illustrated Korean people's desire for welfare that is urgently needed, including the settlement of older people's poverty in Korea.

Finally, I will examine that two social issues occurring in the discussion coupled with the aspects of older poverty. Social polarisation needs to be addressed in terms of enhancement of existing welfare system like NPS with premium (contribution) assistance and enlargement of workplace subscribers. Relatively new policies such as Unemployment Credit, Minimum Pension Guarantee and reinforcement of BOPS are epoch-making alternatives (Lee Yong-Ha & Ahn Jong-Bum, 2012: 187-204).

Measures to help older people living alone are also required. Already a few policies for basic care service for older people and solitary older people love tie task force team was created to integrate the excluded services including personal contact such as phone calls and visiting etc. In addition, each local government encourages communal living to prevent solitary older people from being isolated in their homes according to www.ohmynews.com (2011, February 22nd).

My research approach and further studies

My main point is that poverty in old age in Korea is more serious than the

estimation of the Korean government. In this poverty analysis, I firstly examined three concepts: poverty, income inequality and social exclusion. I found that poverty among the elderly is likely to be relative deprivation in Korea. In addition, I have examined basic definitions and theories first, and then the Korean historical context and current reality, focusing on pensions and assistances. I added the problem of the labour market to the discussion. Consequently, I proposed the direction of poverty policy.

The approach taken in this research is rather complicated but studies of British scholars such as Townsend and Lister have been very helpful. The concepts used in this thesis are new. Although the social investment policy programme is designed for the majority of children and young people, it should also be applied to poverty among older people. Pensions and labour market policy have to play a crucial part in addressing the poverty problem. Giving benefits is significant but allowing for a work-oriented welfare policy (employment friendly policy) should be highlighted. Poverty policy functions to relax the social tension between the generations and between classes.

All things considered, my work was undertaken on a rather small scale compared with previous studies. Thus, further research is needed on the following areas: how older people are able to deal with poverty in Korea, especially in aspects other than income, such as consumption, time and agency (Kim Kyo-Sung & Roh Hye-Jin, 2011: 57); and in what ways older people's poverty should be overcome, and what kinds of solutions can be suggested which take into consideration both pensions and the labour market.

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