Poverty and social security in South Korea

Marco Pomati, Joanna Mack

Citation: Pomati, M., & Mack, J. (2024). Poverty and social security in South Korea. *Journal of Poverty and Social Justice, 32 (2)* ***DOI:*** https://doi.org/10.1332/17598273Y2024D000000020

The articles in this special issue highlight recurring deficiencies within South Korea's social security system, yet the perspectives and conceptualisations of poverty and inequality discussed and policy solutions explored are of relevance to many countries across the world, particularly those with developed welfare systems. South Korea's welfare system is of particular interest in this respect as it is relatively recently developed – for example, the Korean National Pension ('*Kukmin Yeonkum*') was only introduced in 1988 – and has been largely based on an insurance-based contributory system. This left a number of 'blind spots', in particular affecting those who had not been able to fully contribute, either because of their age, the insecure nature of their work or other family and caring responsibilities. More recently, especially since the Asian financial crisis in the late 1990s, a number of social assistance schemes aimed at protecting those for whom social insurance has failed to provide adequate minimum incomes have been introduced. But even so, severe gaps in provision have gone unaddressed.

The first article, by Taiwon Ha (Ha, 2024), addresses the pressing issue of old-age poverty. Mitigating old-age poverty in a rapidly ageing population while maintaining fiscal sustainability is a problem facing many developed countries. It is a particular problem is South Korea. Korea has the highest OECD (Organisation for Economic Co-operation and Development) poverty rate for the over-65s, with around 40 per cent below the OECD poverty line (based on 50 per cent of median income). Ha's analysis indicates the positive impact of revisions to Korea's public pension system on elder financial stability, yet a substantial segment of older adults, particularly those over 75, remain inadequately supported. This is primarily because the over-75s were unable to build up enough entitlements for the new contribution-based pension system while also lacking adequate coverage from tax-financed social assistance (the Basic Pension) schemes and other transfers. Ha finds that since 2003 the situation has improved for those aged 65–74, whereas it has worsened for those aged 75 and above. Poverty rates for those aged 75 or over and living alone were as high 83 per cent in 2020 (Ha, 2024: 13). This is in line with recent research highlighting the importance of intergenerational co-residence and transfers in protecting Korean older adults from relying solely on low levels of public pension benefits (Ku and Kim, 2020). Ha inspects both poverty rate and poverty depth (the poverty gap) and finds that public pension payments and public transfers have helped decrease the average depth of poverty, yet they could not sufficiently reduce the poverty rate for those aged 75 and over (Ha, 2024: 15). Eradicating such high poverty rates for a group with an increasing share of the population will demand significant policy changes that past administrations have promised but not delivered. Recent studies have found that the Korean pension system, characterised by modest benefits and generous disregards of labour market earnings and transfers, does not provide clear work disincentives (Lee et al, 2019), and Hu argues that future policies should increase benefit levels as well as consider further work incentives for 'younger old' Koreans (aged 65–74) with the necessary physical and psychological capabilities. Whether labour market support can indeed deliver better lives for many South Koreans aged 65 or over remains to be further explored. This theme is further developed in the second article. Pensioner poverty represents one the biggest Korean welfare blind spots, which Nari Park and Kyoseong Kim see as a consequence of a social security system based primarily on social insurance and minimal social assistance across the life course (Park and Kim, 2024). The authors explore the potential for poverty alleviation of three policies: the KRW 300,000 per month Universal Basic Income (UBI) advocated by the Basic Income Korean Network (BIKN); the KRW 250,000 quarterly UBI proposed by the former presidential candidate Lee Jae-myung; and finally the means-tested Seoul Safety Income (SI) scheme, targeted at households earning less than 85 per cent of the median income and with assets of less than KRW 326 million, who would have their cash benefits replaced by a level of assistance equal to half of the shortfall between household and median income. Park and Kim analyse the cost-effectiveness, and poverty- and inequality-reduction potential of these three schemes for the whole population as well as specific demographics. All would result in greater poverty reduction compared to the current system, but SI is more cost-effective at reducing absolute poverty (the subsistence level according to South Korea's National Basic Living Security Act), while UBIs are more effective at reducing relative poverty (defined as 50 per cent of median income) and the BIKN UBI would be particularly beneficial for women and elderly heads of households, identified at highest risk by Ha (Park and Kim, 2024: 14; Ha, 2024: 22).

Echoing previous debates on UBI in this journal (*JPSJ*, 31(1)) by Reed et al (2023a; 2023b) and Hirsch (2023a; 2023b), this special issue then turns to the issue of public support for poverty reduction and greater taxation in South Korea. Choi's article explores attitudes towards income redistribution, universal welfare and welfare financing (Choi, 2024). The analysis suggests that differences in welfare attitudes are related to intergenerational differences as well as social exclusion (Choi, 2024: 28). Moreover, the article finds that those born before 1957, which Ha as well as Park and Kim identified as most in need for social security reform, are far from being the most in favour of a more generous welfare system (Choi, 2024: 10). In the last article, Weon, Pomati and Nandy turn to multidimensional child poverty (Weon et al, 2024). They find that key basic needs such as food and clothing are being met for most children in Korea, while leisure deprivation (measured by being to afford items such as outdoor leisure equipment, regular leisure activities, inviting friends home to play and eat, and celebrating special occasions) is considerably more prevalent, affecting up to a quarter of all children (Weon et al, 2024: 12). The official monetary child poverty estimate (12 per cent) in 2018 is roughly in line with the percentage who experience both low income and six or more deprivations, a joint cut-off they derive using the Consensual Approach methodology (Mack and Lansley, 1985; Gordon, 2006; Pomati and Nandy, 2020). However, 44 per cent of children are either on low income or experience six or more deprivations. The authors argue that relying solely on monetary poverty measures hides the true extent of unmet need in South Korea and that the current official monetary poverty line may be set too low to assess the effectiveness of benefits in preventing child deprivation. They conclude that many of the more prevalent child leisure activities deprivations could be tackled by cash transfers and in-kind benefits. Families would also benefit from expanding matched-savings programmes such as the 'Didim-Seed Account' (Weon et al, 2024: 24).

Funding

This special issue was supported by the Economic and Social Research Council (UK-South Korea Poverty Research Network, grant ES/W011026/1).

Acknowledgements

We would like to extend our heartfelt gratitude to all the authors featured in this special issue for their hard work and dedication to advancing the understanding of poverty and social security in South Korea. Their contributions not only illuminate the complexities of the issues at hand but also provide a clear path forward for meaningful policy discussions. We also acknowledge the invaluable support of anonymous peer reviewers, whose insights and critiques have been instrumental in refining these works.

Conflict of interest

The authors declare that there is no conflict of interest.

References

Choi, S. (2024) Welfare attitudes in Korean society: effects of cohort and social exclusion, *Journal of Poverty and Social Justice*, 32(2) doi: 10.1332/17598273Y2024D000000018

Gordon, D. (2006) The concept and measurement of poverty, in C. Pantazis, D. Gordon and R. Levitas (eds) *Poverty and Social Exclusion in Britain*, Bristol: Policy Press, pp 29–69.

Ha, T. (2024) Exploring poverty heterogeneity between older old and younger old: evidence from South Korea, *Journal of Poverty and Social Justice*, 32 (2)

Hirsch, D. (2023a) The big tax hikes that make UBI 'affordable' could be used to cut poverty in more targeted ways: a reply to 'Universal Basic Income is affordable and feasible: evidence from UK economic microsimulation modelling' by Howard Reed et al, *Journal of Poverty and Social Justice*, 31(1): 163–5. doi: 10.1332/175982721x16702576055509

Hirsch, D. (2023b) An untested premise: would voters really support redistribution through UBI which left many of them worse off? A reply to 'Changing circumstances and new basic premises: turning the affordability and feasibility relationship on its head' by Reed et al, *Journal of Poverty and Social Justice*, 31(1): 169–70. doi: 10.1332/175982721x16702576209751

Ku, I. and Kim, C.O. (2020) Decomposition analyses of the trend in poverty among older adults: the case of South Korea, *The Journals of Gerontology: Series B*, 75(3): 684–93. doi: 10.1093/geronb/gby047

Lee, S., Ku, I. and Shon, B. (2019) The effects of old-age public transfer on the well-being of older adults: the case of social pension in South Korea, *The Journals of Gerontology Series B: Psychological Sciences and Social Sciences*, 74(3): 506–15. doi: 10.1093/geronb/gbx104

Mack, J. and Lansley, S. (1985) *Poor Britain*, London: Allen & Unwin.

Park, N. and Kim, K. (2024) Universalism versus residualism: a micro-simulation of alternative income maintenance schemes in South Korea, *Journal of Poverty and Social Justice*, 32 (2) doi: 10.1332/17598273Y2023D000000013

Pomati, M. and Nandy, S. (2020) Measuring multidimensional poverty according to national definitions: operationalising target 1.2 of the sustainable development goals, *Social Indicators Research*, 148(1): 105–26. doi: 10.1007/s11205-019-02198-6

Reed, H.R., Johnson, M.T., Lansley, S., Johnson, E., Stark, G. and Pickett, K.E. (2023a) Un iversal Basic Income is affordable and feasible: evidence from UK economic microsimulation modelling, *Journal of Poverty and Social Justice*, 31(1): 146–62. doi: 10.1332/175982721x16702368352393

Reed, H.R., Johnson, M.T., Lansley, S., Johnson, E., Stark, G. and Pickett, K.E. (2023b) Ch anging circumstances and new basic premises: turning the affordability and feasibility relationship on its head: a reply to 'The big tax hikes that make UBI "affordable" could be used to cut poverty in more targeted ways' by Donald

Hirsch, *Journal of Poverty and Social Justice*, 31(1): 166–8. doi: 10.1332/175982722x16703911505586

Weon, S., Pomati, M. and Nandy, S. (2023) Multidimensional child poverty in South Korea: developing measures to assess progress towards the sustainable development goals, *Journal of Poverty and Social Justice*, 32 (2) doi: 10.1332/17598273Y2023D000000009