

SOCIAL PROTECTION IN KOREA: 2016 SOCIAL WELFARE KEY POLICY CASES AND GOVERNMENT BUDGET TREND ANALYSIS

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CONTENT

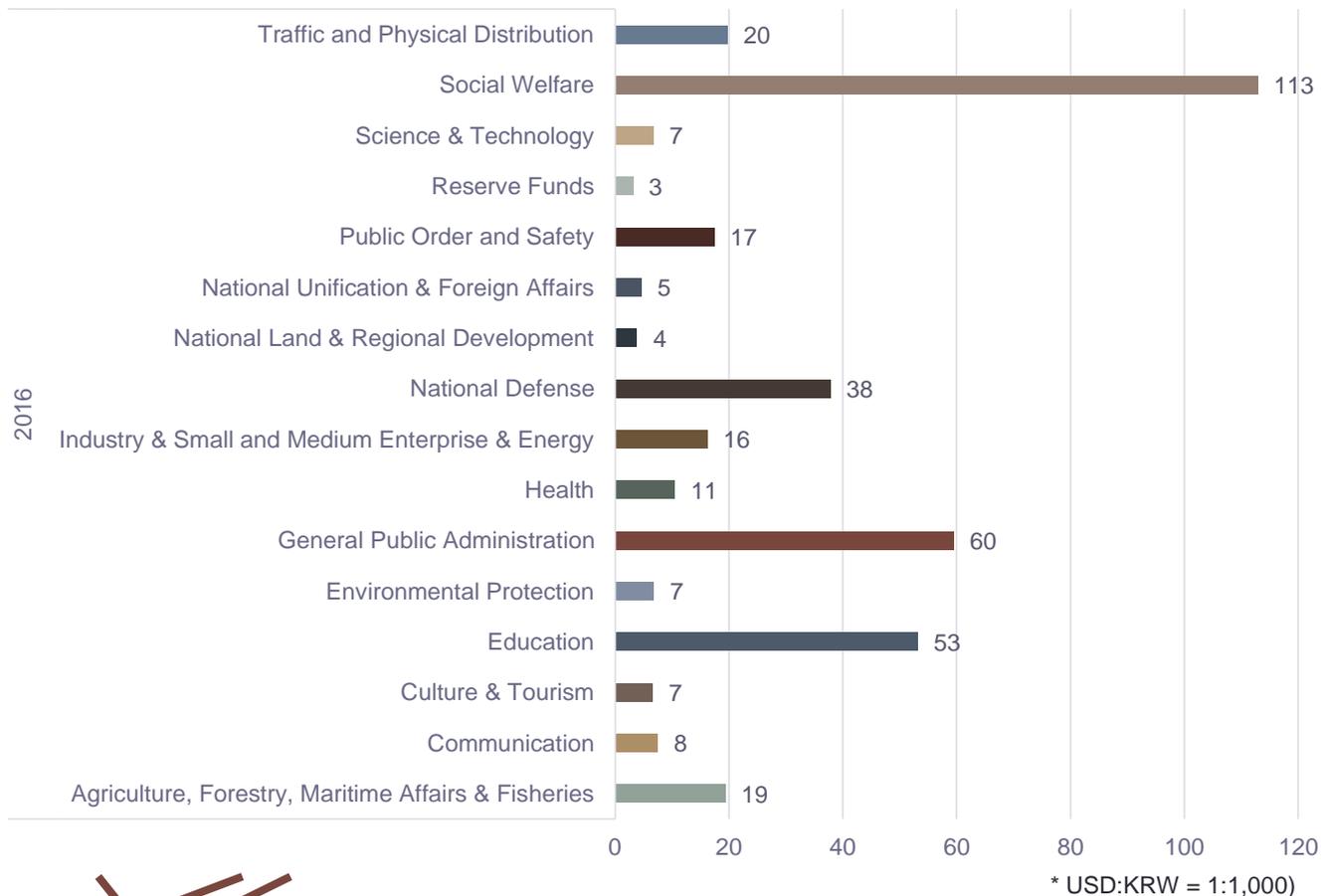
1. National Budget Trend
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1. National Budget Trend

2016 National Budget of KOREA

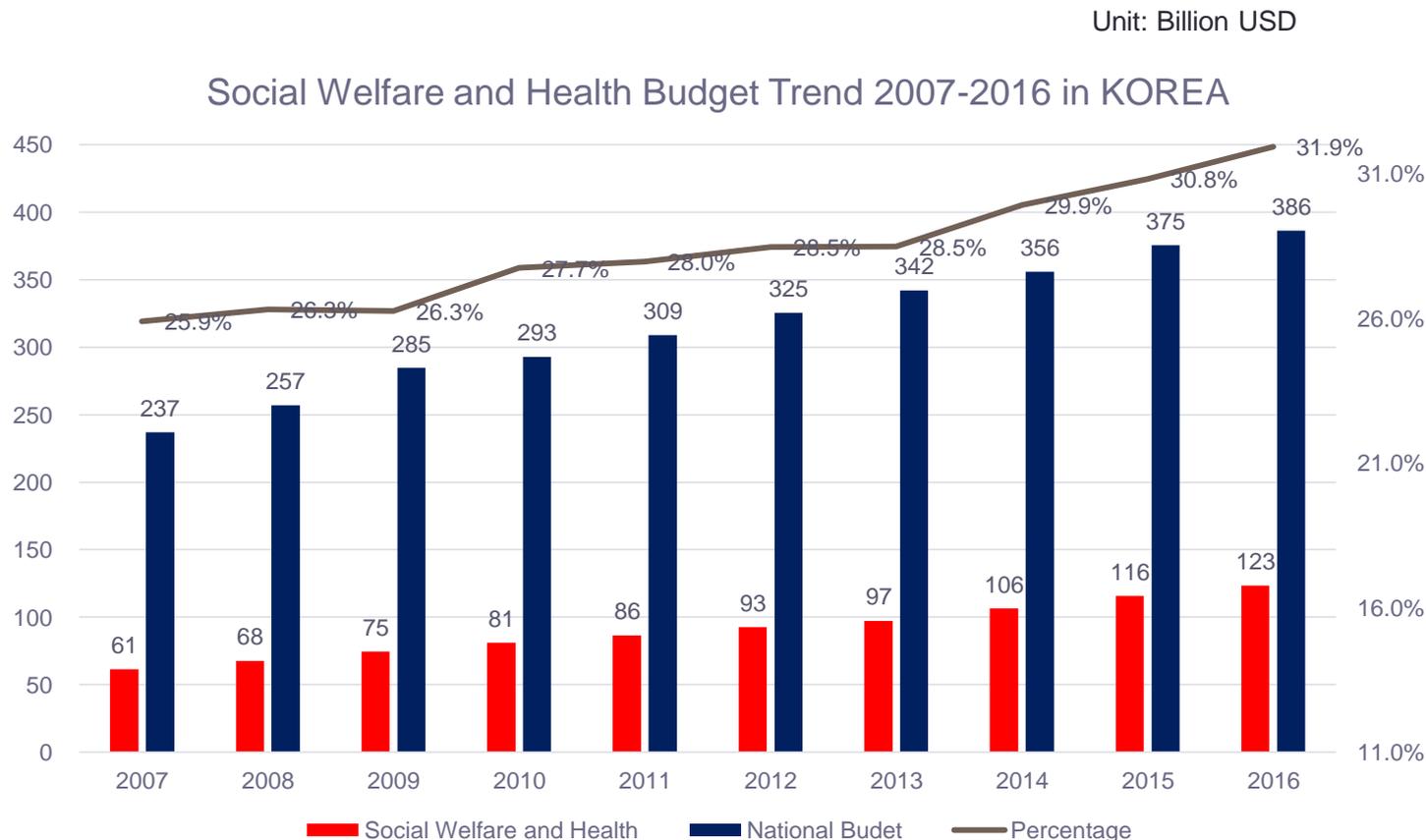
Unit: Billion USD



- Social Welfare and Health Budget has the largest portion out of national budget (123 Billion USD, 32%)
- 2016 Social welfare and Health budget is record-high longitudinally in Korean national budget history
- Customized services for socially unprivileged people, customized childcare service, basic pension, long-term medical treatment are the drivers of in-advance life-time customized social protection



1. National Budget Trend (cont'd)



- The percentage of Social welfare and Health compared to national budget increased from 25.9% to 31.9%

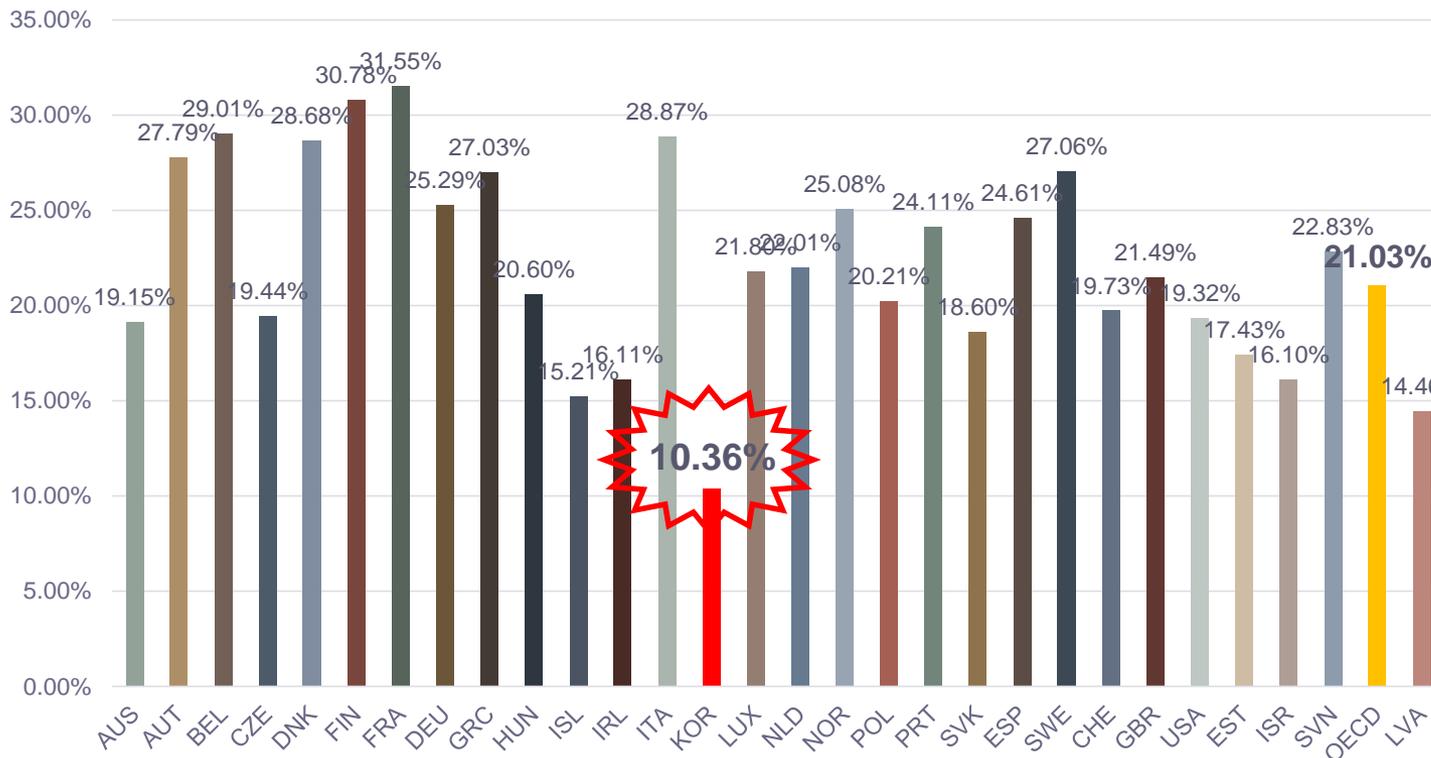
* USD:KRW = 1:1,000



1. National Budget Trend (cont'd)

Social Spending compared to GDP (2016)

Unit: %



- Although 2016 Social welfare and Health budget in Korea is a record-high digits, Social Spending level compared to GDP seems the lowest in OECD countries
- Compared to OECD average, still 10 %p gap is existing

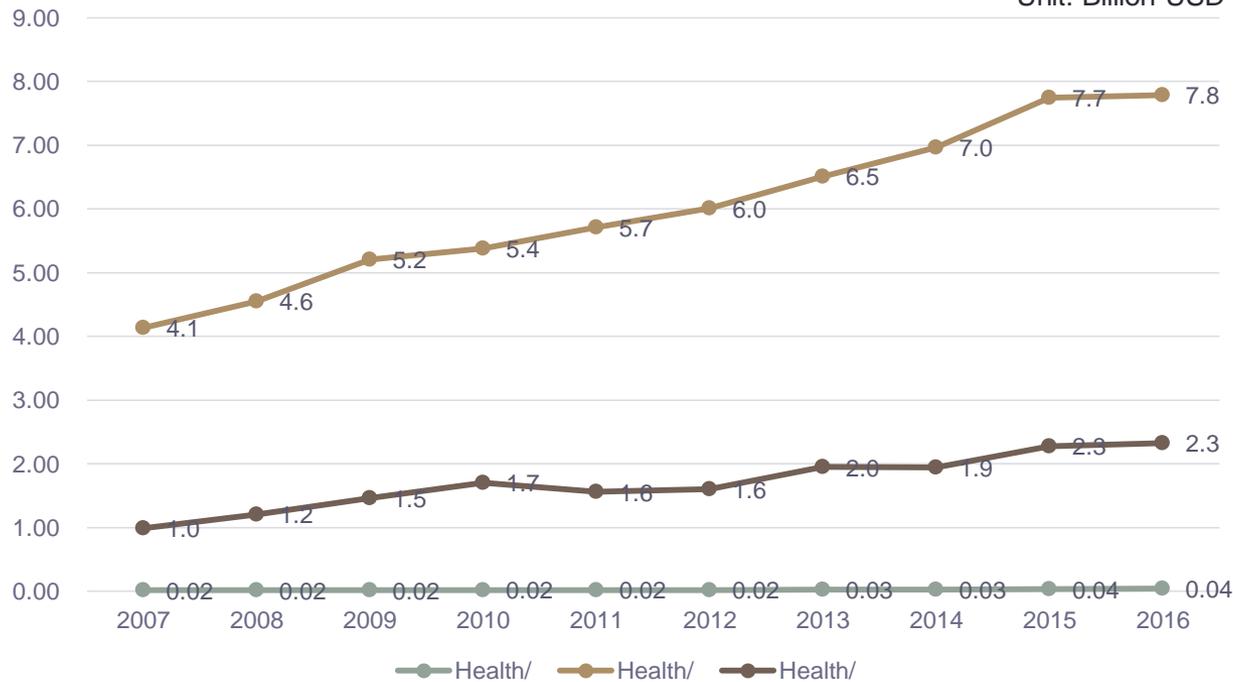
* Source: OECD Database, 2016 [\[URL\] https://data.oecd.org/socialexp/social-spending.htm](https://data.oecd.org/socialexp/social-spending.htm)



2. Social Welfare Budget Analysis

Health Budget Trend 2007-2016

Unit: Billion USD



* USD:KRW = 1:1,000

Compound Annual Growth Ratio (2007-2016)

Food & Drug Safety	10.9%
Health Insurance	7.3%
Healthcare	10.0%
Health Total	8.0%
National Budget Total	5.6%

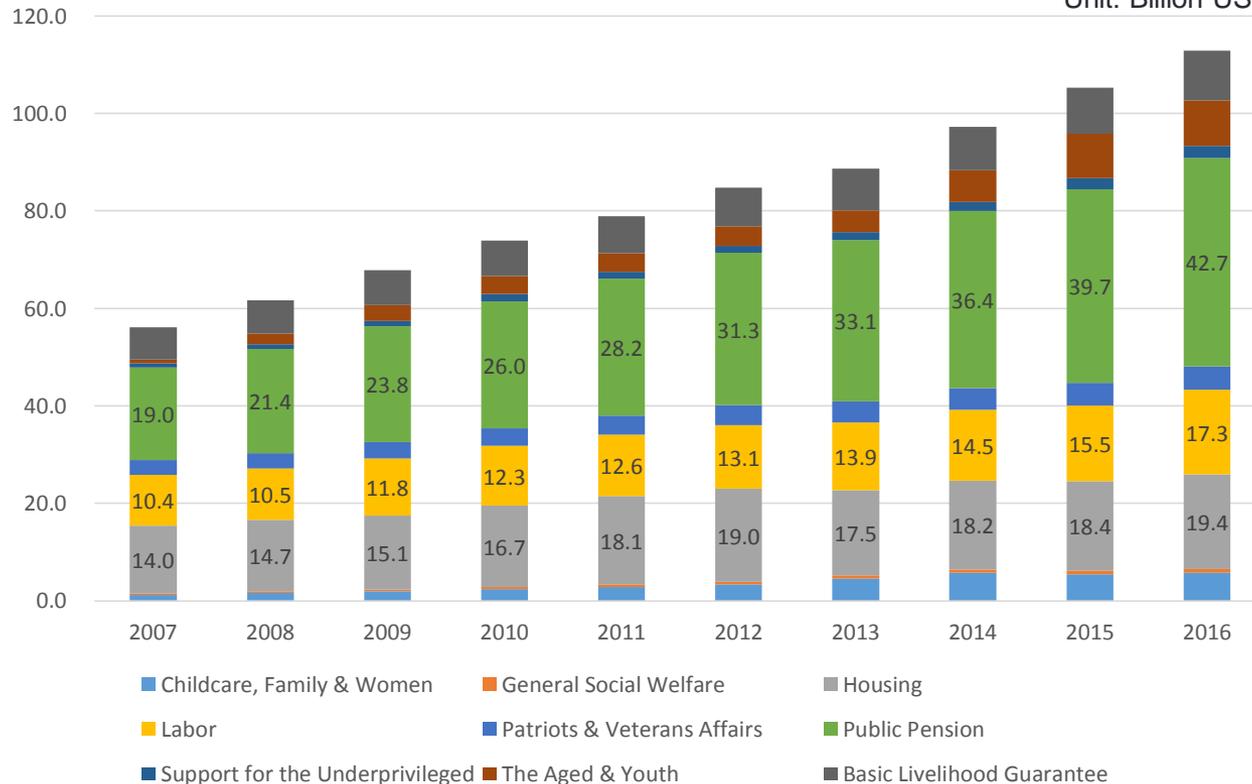
- Health budget has recorded 8.0% CAGR among 9 years
- In Health budget, Health Insurance account has the largest portion
- Though amount is relatively small, Food & Drug Safety account budget has highest growth rate



2. Social Welfare Budget Analysis

Social Welfare Budget Trend 2007-2016

Unit: Billion USD



* USD:KRW = 1:1,000

Compound Annual Growth Ratio (2007-2016)

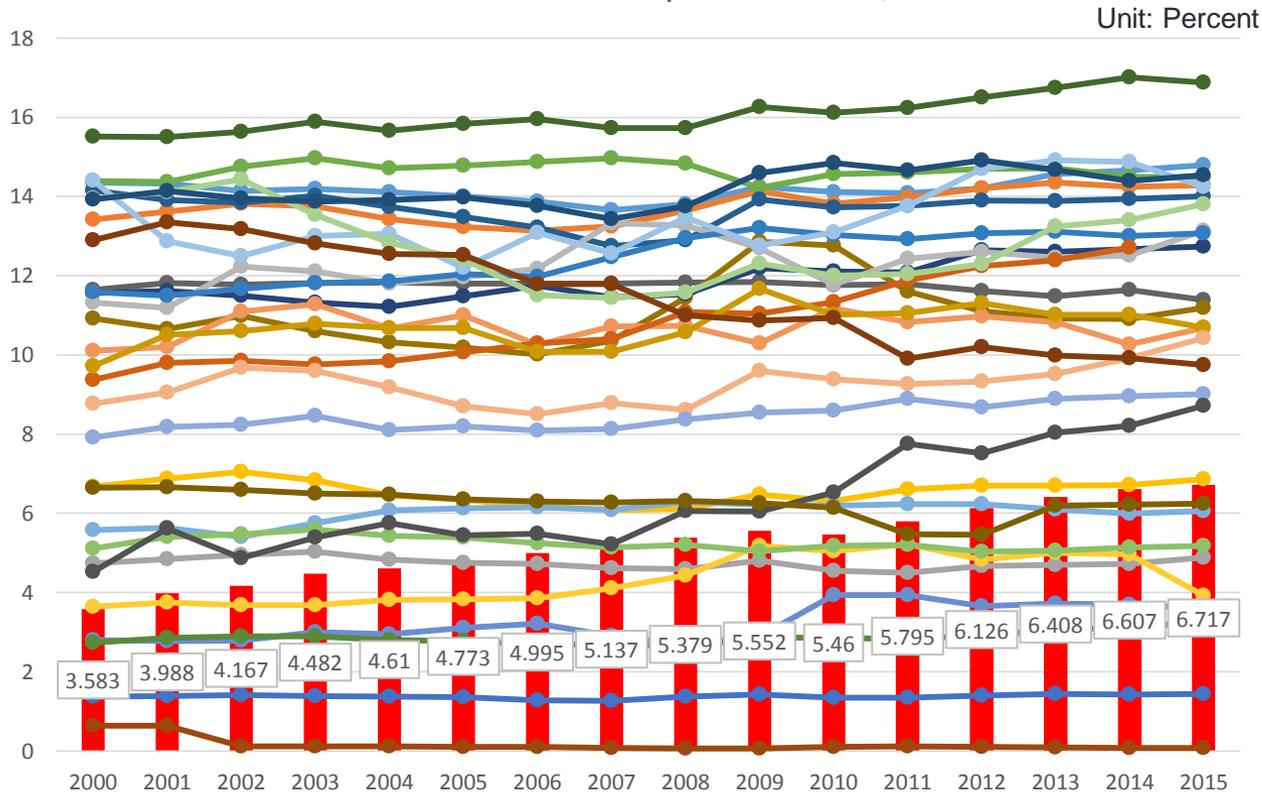
Basic Livelihood Guarantee	4.9%
Childcare, Family & Women	18.9%
General Social Welfare	12.6%
Housing	3.7%
Labor	5.8%
Patriots & Veterans Affairs	5.5%
Public Pension	9.4%
Support for the Underprivileged	11.9%
The Aged & Youth	32.4%
Social Welfare Total	8.1%
National Budget	5.6%

- Public Pension has largest portion of social welfare in spite of relatively low CAGR
- Social Welfare Budget for The aged and youth recorded highest growth
- Needs of well built social security information system for efficient social welfare services mobilization



2. Social Welfare Budget Analysis

OECD Countries' Social Security Contribution, 2000-2015



* Source: OECD Database, 2016

- Social security contributions are compulsory payments paid to general government that confer entitlement to receive a (contingent) future social benefit.
- KOREA's social security contribution percentage to GDP is now higher than that of US and GBR
- Gradual pressure of social protection financing burden is put on to government and citizens but still lower than average OECD level (9.09%)

■ KOREA

* Items of Social Security Contribution: unemployment insurance benefits and supplements, accident, injury and sickness benefits, old-age, disability and survivors' pensions, family allowances, reimbursements for medical and hospital expenses or provision of hospital or medical services.

ADB-ADBI Learning Program on Financing Social Protection for Sustainable Development Goals

15-16 February 2017, Seoul, Republic of Korea



3. 2016 Social Welfare Key Policy

1. Basic Livelihood Guarantee Allowance Scheme (2015.7 revision)

Unit: Billion USD

Item	2015	2016	%	Etc.
Subsistence Allowance	2.7	3.2	21.3%	4 people household support Increase: 1,050,000KRW -> 1,270,000 KRW
Medical Allowance	4.5	4.7	4.2%	Enhancing Support
Housing Allowance	1.1	1.0	-7.1%	Lowest guaranteed level + 2.3%
Education Allowance	0.13	0.14	7.2%	Lowest guaranteed level + 1.4%
Asset Accumulation support	0.05	0.06	22.2%	<i>Naeil Kiwoom</i> bank account
Emergency Welfare Support	0.1	0.1	-	Increasing the scope of coverage

- Increasing customized support for the underprivileged people.
- www.bokjiro.go.kr portal supports pre-evaluation of allowance subscribers and relevant information.
- The change to customized allowances scheme is partly triggered from a tragic suicide of a mother and two children in 2014.2.

* USD:KRW = 1:1,000



[Back-up] Social Welfare Information Service Portal - Bokjiro

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복지로 함께 만드는 복지

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- 복지서비스 조회
- 복지서비스 등록/수정

생애주기별 복지알림이

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간단한 소득재산항목을 입력하여 사업별 수혜 대상 자가진단이 가능합니다.

i 본 모의계산 결과는 귀하가 입력하신 자료를 기초로 제공되며, 실제 정확한 선정 여부 결과는 서비스 신청 후 공적자료 조사를 통해 가능합니다. 조회하신 결과는 **단순 참고용으로만 활용**하여 주시기 바랍니다.

- 기초연금**
만 65세 이상의 여르신이신가요?
(14,07.01 시행)
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- 초·중·고 교육비지원**
초중고교에 재학 중인 아이를 키우고 계신가요?
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계산해보기 →

www.bokjiro.go.kr

[Back-up] Basic Livelihood Guarantee Allowance Exemption (Favor)

1. Citizen Tax Exemption
2. TV subscription fee exemption
3. Electricity fee discount
 - Monthly \$8 max for subsistence/Medical allowance receivers
 - Monthly \$6 max for housing/education allowance receivers
4. Resident Registration Certificate Issuance fee exemption
5. Car inspection fee exemption
 - Housing/education allowance receivers are excluded
6. Water/sewage fee exemption, volume-rate garbage disposal fee exemption (60 liter max)
 - Coverage dependent upon local governments' directives
7. Birth Allowance : 600 USD/baby,
8. Death Allowance : 750 USD/household
9. Rice support : 1 rice pack (10kg/person, max 20kg/household)

* Allowance selection criteria in 2017:

- Standard median household income (four people, 4,467,380 KRW, about 4,467 USD)
 - * 30% of the income household (1,340 USD) can be subsistence allowance accepted,
 - * 40% - medical allowance accepted (1,786 USD), 43% - housing allowance accepted (1,920 USD),
 - * 50% - education allowance accepted (2,234 USD)

* USD:KRW = 1:1,000



[Back-up] Basic Livelihood Guaranteed Allowance Receiver Exemption

* Housing Allowance in 2017

Unit: USD, KRW:USD:1:1,000

	1 st tier areas (Seoul)	2 nd tier areas (Kyunggi, Incheon)	3 rd tier areas (other local governments, Sejong)	4 th tier areas (other areas)
1 person	200	178	147	136
2 persons	231	200	158	147
3 persons	273	242	189	178
4 persons	315	283	220	200
5 persons	325	294	231	210
6 persons	378	347	262	242

- Subsistence allowance and Housing allowance will be paid by cash on every 20th of months
- Education allowance
 - high school children: tuition fee – all exemption, books (129 USD), office supplies (52 USD/person), elementary/middle school children – additional (38 USD) will be given

* USD:KRW = 1:1,000



3. 2016 Social Welfare Key Policy

2. Public Pension

Unit: USD, KRW (KRW:USD:1:1,000)

Item	2015	2016	Beneficiary Numbers	Per capita (2016) yearly	Per capita (2016) monthly
National Pension Allowance	16.5B USD	18.5B USD	4,280,000	4,333,832KRW	361,153KRW* (361 USD)
Government Official Pension Allowance	13.5B USD	14.2B USD	426,000	33,335,446KRW	2,777,954KRW* (2,777 USD)
Military Officer Pension Allowance	0.28B USD	0.29B USD	89,000	33,558,427KRW	2,796,536KRW* (2,796 USD)
Teachers' Pension Allowance	0.25B USD	0.26B USD	63,000	42,825,397KRW	3,568,783KRW* (3,568 USD)

- Average calculated amount of national pension budget per capita is 361 USD per month.
- Korean government conservation to the deficits of government official pension and military officer pension is over 3 Billion USD.
- Restructuring these pensions are burden for Korean government and needs action.

Source: KLID calculation

* Note: The number stands for pension government allowance budget per capita, which is NOT aligned with actual pension amount per capita

** USD:KRW = 1:1,000



3. 2016 Social Welfare Key Policy

3. Private-Public Self-Support Policy Case

(1) *Himang Kium I* (In English, Hope Raising I) Bank Account

- Features

- Eligibility: Household whose income is less than 40% of annual median income (i.e., subsistence and medical allowance household) and that 60% of the income is by labor and business income
- Example : 100 USD per monthly saving by household, government add average 330 USD. Total 430 USD is saved in *Himang Kium I* account continued for three years. After three years, household can get more than 17,000 USD
- Condition : Less than three years exit of basic livelihood allowance scheme
Available spending are restricted to house rent, education, startup, etc.
- Contact: Local government's citizen center supports opening the bank account

- Performance

- 18,000 household has been opened *Himang Kium I* account (2010-2012) and 66% of household were exiting basic livelihood allowance scheme.
- By 2015, 35,000 *Himang Kium I* accounts were opened



3. 2016 Social Welfare Key Policy

(2) *Himang Kium II* (In English, Hope Raising II) Bank Account

- **Features**
 - Eligibility: Household who receives housing and education allowance and that 60% of the income is by labor and business income
 - Example : 100 USD per monthly saving by household, government add 100 USD.
After three years, household can get more than 7,200 USD + interests.
 - Condition : Need to maintain the account for three years
 - Contact: Local government's citizen center supports opening the bank account
- **Performance**
 - By 2015, 25,000 Himang Kium II accounts have been opened



3. 2016 Social Welfare Key Policy

(3) *Naeil Kium* (In English, Raising Tomorrow) Bank Account

- Features

- Eligibility: Self-support training program on cleaning, recycling, homecare service, one can open *Naeil Kium* bank account
- Example : 50 or 100 USD per monthly saving by individual, government add max 350 USD. After three years, household can get max 16,200 USD + interests (average amount 13,700 USD).
- Condition : Need to go to ordinary job market in the society within three years
- Contact: Central Self-Support Center in Seoul

- Performance

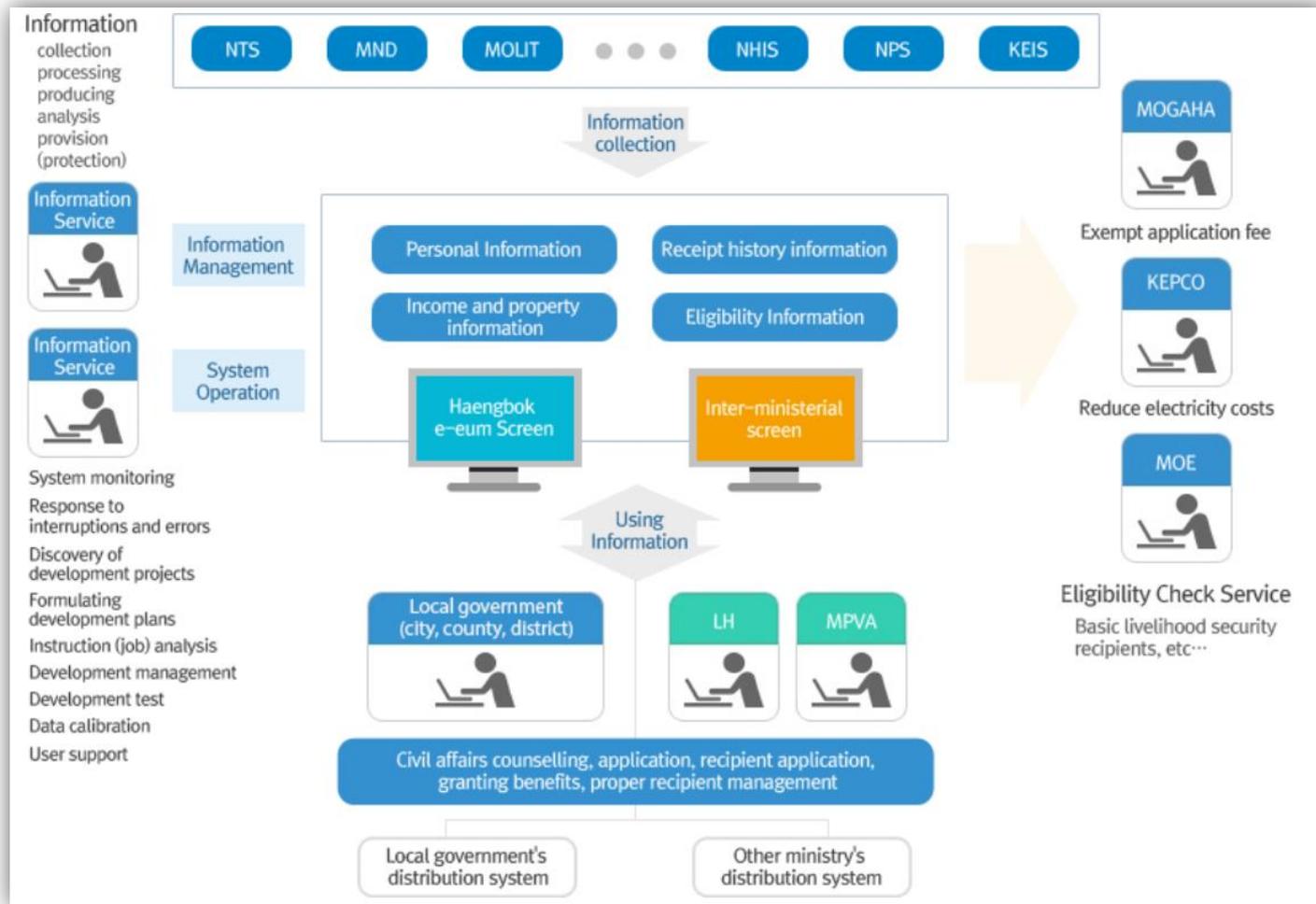
- 82.7% of *Himang Kium II* and *Naeil Kium* bank accounts have been maintained



4. Discussions

- Social protection in Korea is strongly recommended for using the **power of ICT** from integrated social security information system for efficient and fair social protection (i.e., monitoring and tracing Basic Livelihood Allowance receivers, etc.)
- Social protection budget has **the largest portion in government budget** and the pressure for government will be ever increasing.
- **Pension scheme** in Korea should be restructured soon for sustainable social protection.
- Not only supporting monetary resources to social underprivileged people, but also **self-support approach policy** is important as seen in *Himang Kium I, II* and *Naeil Kium* Bank account case.
- Just as increasing the number of **social companies** and bringing upon **donation culture in society**, there are many drivers for public-private cooperation to cope with sustainable social protection.
- **The gap** between central government and local government with respect to **budget deficiency in social protection** is still critical issue for Korea to enhance nationwide social protection.

[Back-up] Diagram - Social Security Information System in Korea (*Haengbok-e eum*)



Source: <http://www.ssis.or.kr>

Thank You!

Questions and comments are welcome!

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