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Income support for older persons in the Republic of Korea : a perspective of older persons

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I. Introduction

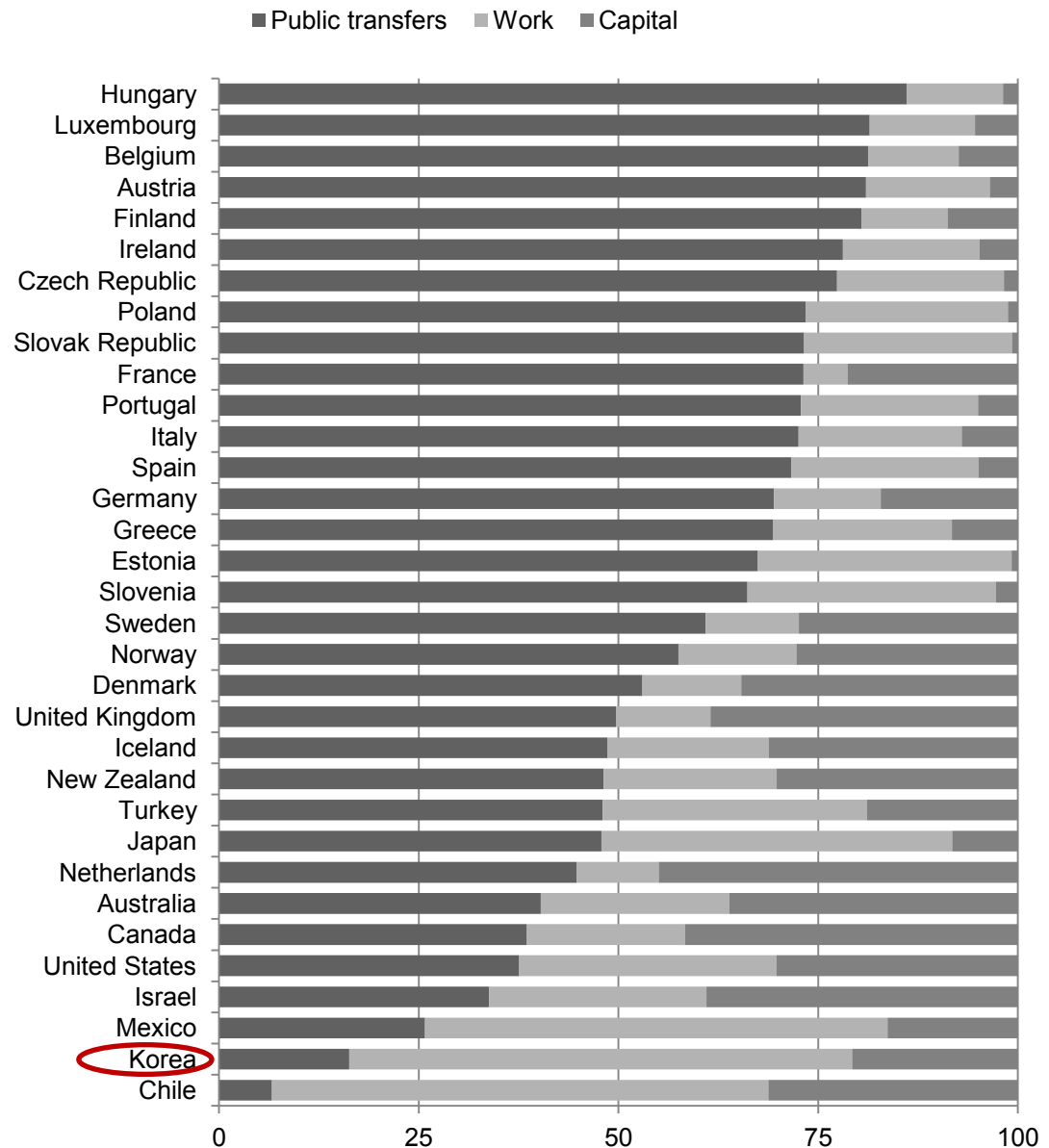
- This presentation aims to reveal the characteristics of income support for older persons in Korea from the perspective of older persons.
- The National Pension Scheme (a contributory pension) has played a leading role in the whole old-age income support system in that it legally covers all the working populations as the insured.
- Two issues of pension reform debates in Korea;
 - **Socio-political sustainability:** slow maturity, limited coverage (incompliance, labor market), low take-up rates of the current elderly
 - **Financial sustainability:** rapid population ageing (higher life expectancy, low fertility rate*), inherence in partial funded system
- In this presentation, non-contributory public income support system (zero pillar) will be mainly focused in order to understand the current income support for older persons in Korea.

II. Old-age income security system in Korea and its effects

- Currently Korea has established a multi-pillar system as Table 1 shows.

Pillar	Coverage			Main Criteria		
	Life-time poor	Informal sector	Formal sector	Characteristics	Participation (coverage rate)	Funding
0	X	X	x	Basic old-age pension(2008)* National Basic Living Security Scheme (2000)	Quasi-universal Residuary	Government's general funding
1			X	National Pension Scheme(1988) and Special Public Pension Schemes (DB)	Mandatory	Contributions
2			X	Legal Retirement Scheme and Pension (DB or DC)	Payment Retirement Mandatory	Employer contributions
3		X	X	Individual Pension Scheme	Voluntary	Individual contributions
4	X	X	X	Private transfer, savings or asset	Voluntary	-

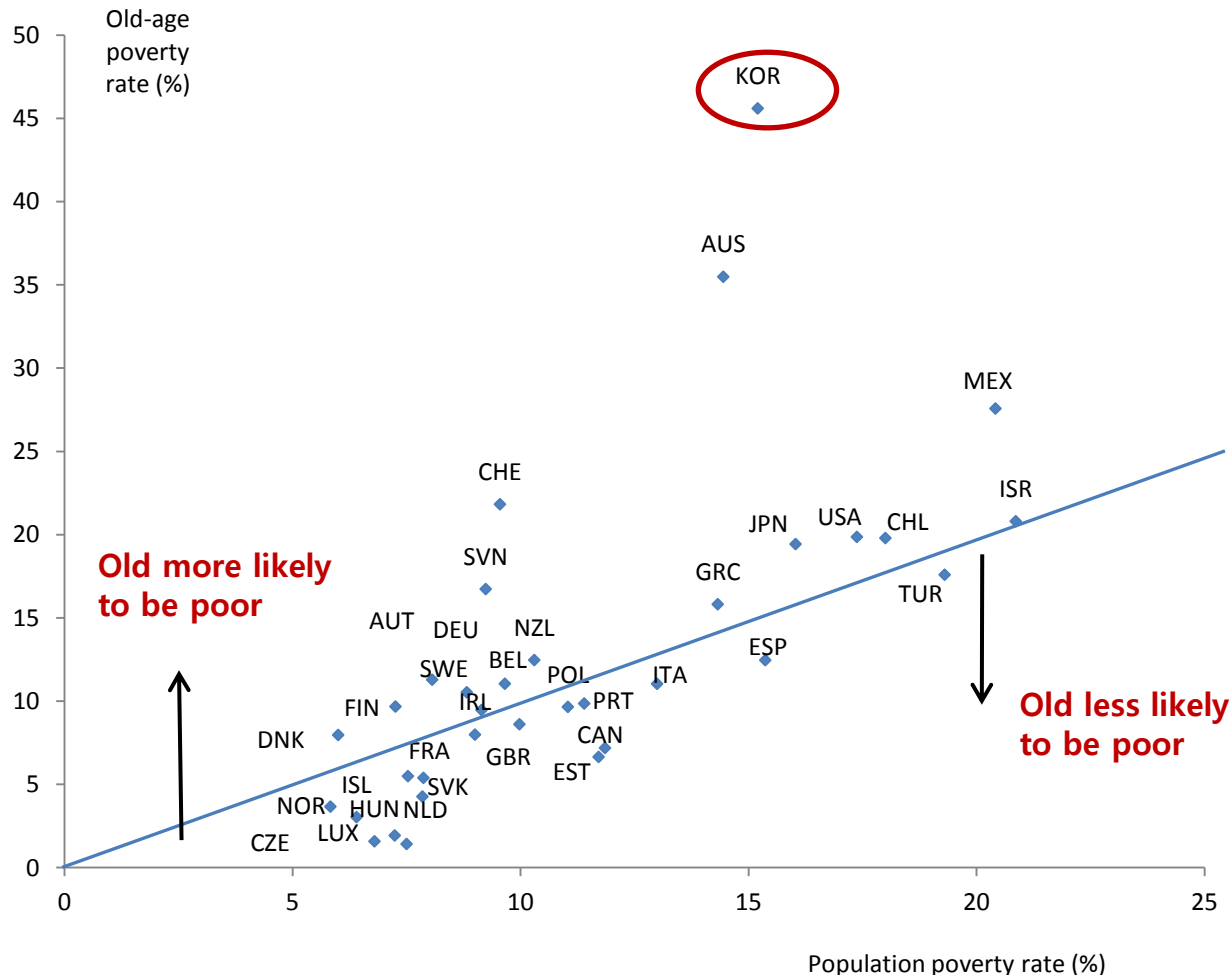
However, elderly households' income composition reveals that the multi-pillar system is still at an immature stage.



Percentage of total household disposable income, late 2000s

Source : OECD (2013) Pensions at a Glance

As a result, old-age poverty rate in Korea is quite high compared to other OECD countries. Furthermore, the elderly in Korea is one of the most disadvantaged groups in the society.



Source: OECD Income Distribution Database. See OECD (2008), Tables 5.1 and 5.3.

]III. Development of non-contributory pension in Korea

- National Basic Livelihood Security System (1999)
: public assistance program to provide minimum support
- Senior Pension
: means-tested flat-rate benefit(maximum 3% of the average income)
- Basic Old-age Pension (2007)
: benefit (5% of average income of the NPS insured), coverage (70% of the population over the age of 65)
- Basic Pension (2014?)
: benefit (10% of average income of the NPS insured) and broader coverage

IV. Issues and challenges

- Two points are still under debate to introduce the basic pension.
 - (1) Target coverage rate
 - : Universal benefits to all the elderly? Or exclusion of the relatively affluent older persons considering financial burden?
 - (2) The relationship with NPS
 - : Equal benefits regardless of the NPS benefit?
Or more benefits to those receiving no or low level of its benefit from public pension?

IV. Issues and challenges

- Dilemma between target efficiency and equity under the financial restriction
 - Worrying over financial pressure and tax increase in the rapidly ageing society tends to pursuit target efficiency at the expense of universalism and equity.
 - Equity issue arises between the contributory pension insurer and the non-contributory pension.
- To resolve the dilemma, a space for social agreement seems to be needed in a political context.
 - We need to deal with the question whether our society has willingness to pay for the basic pension or not.

Thank You
