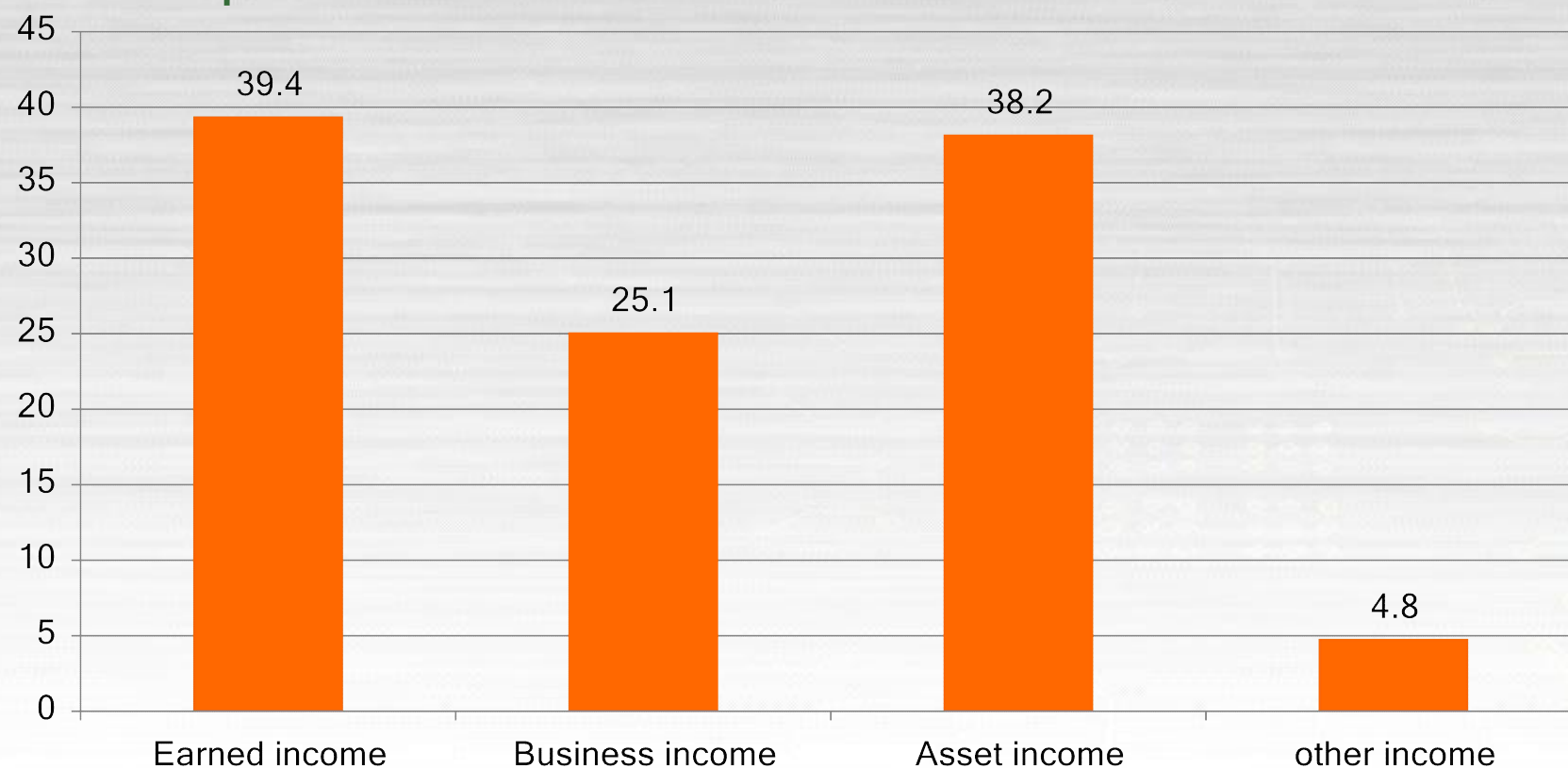


Income security for older persons in Korea

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Current state of older persons' income security

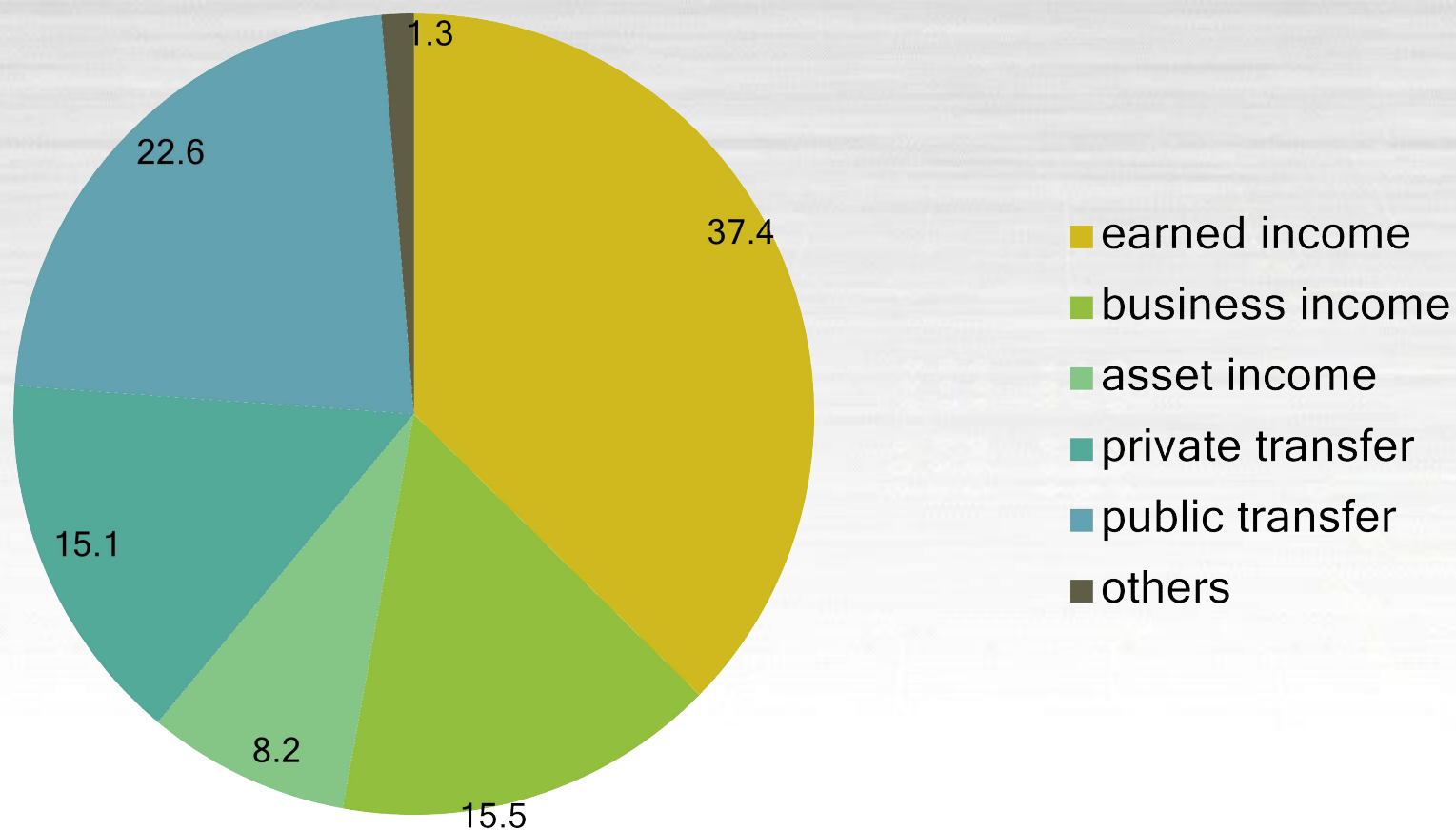
■ Older persons' household income source



- 39.4% of older persons household had earned income, 38.2% had asset income

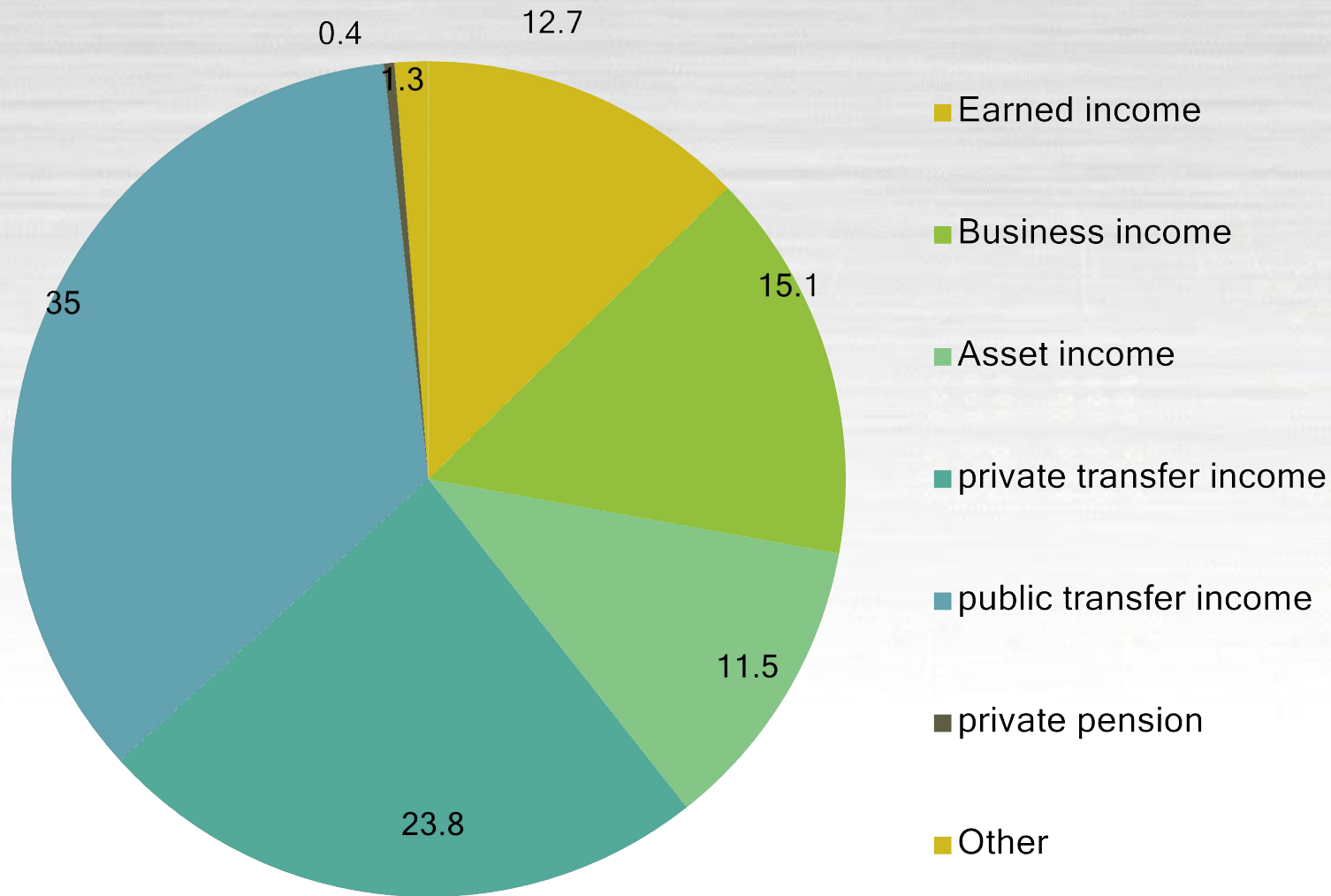
Current state of older persons' income security

■ Older persons' household income composition



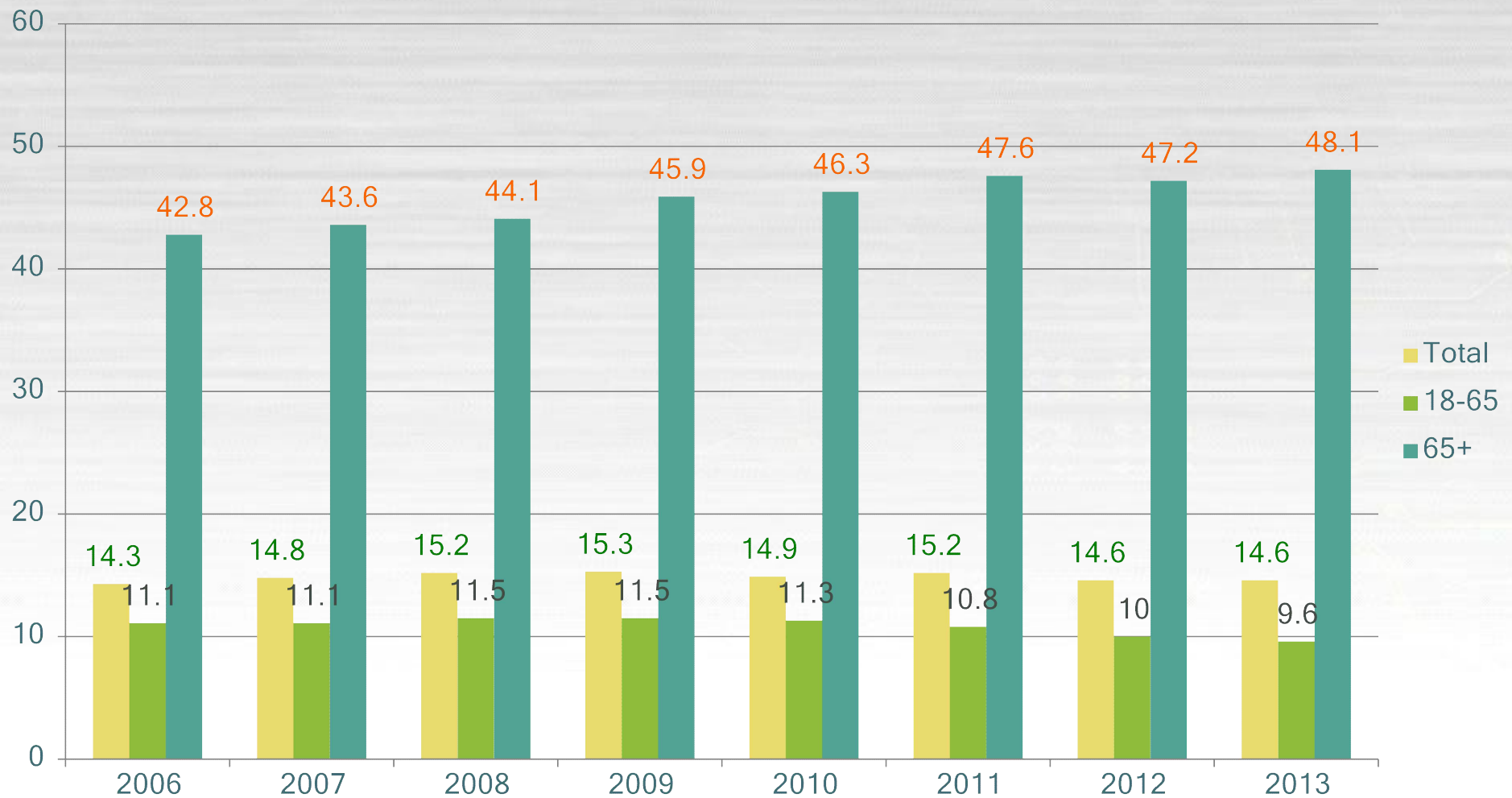
Current state of older persons' income security

■ Older persons' personal income composition



Current state of older persons' income security

■ relative poverty rate



Current state of older persons' income security

■ Poverty and Inequality(by age and sex)

		Inequality (gini)	Relative poverty		
			40%	50%	60%
over 65+	male	0.630	35.6	38	41.2
	female	0.788	61.5	63.7	66
below 65	male	0.355	9.4	14.9	20.9
	female	0.442	18.7	24	28.9

Current state of older persons' income security

■ Poverty and Inequality(by age and household type)

		Inequality (gini)	Relative poverty		
			40%	50%	60%
over 65+	non-single	0.615	64.1	65.1	66.3
	single	0.793	98.7*		
below 65	non-single	0.348	8.9	14.4	21.1
	single	0.434	34.3	36.6	40.1

* median income of single elderly households = 0

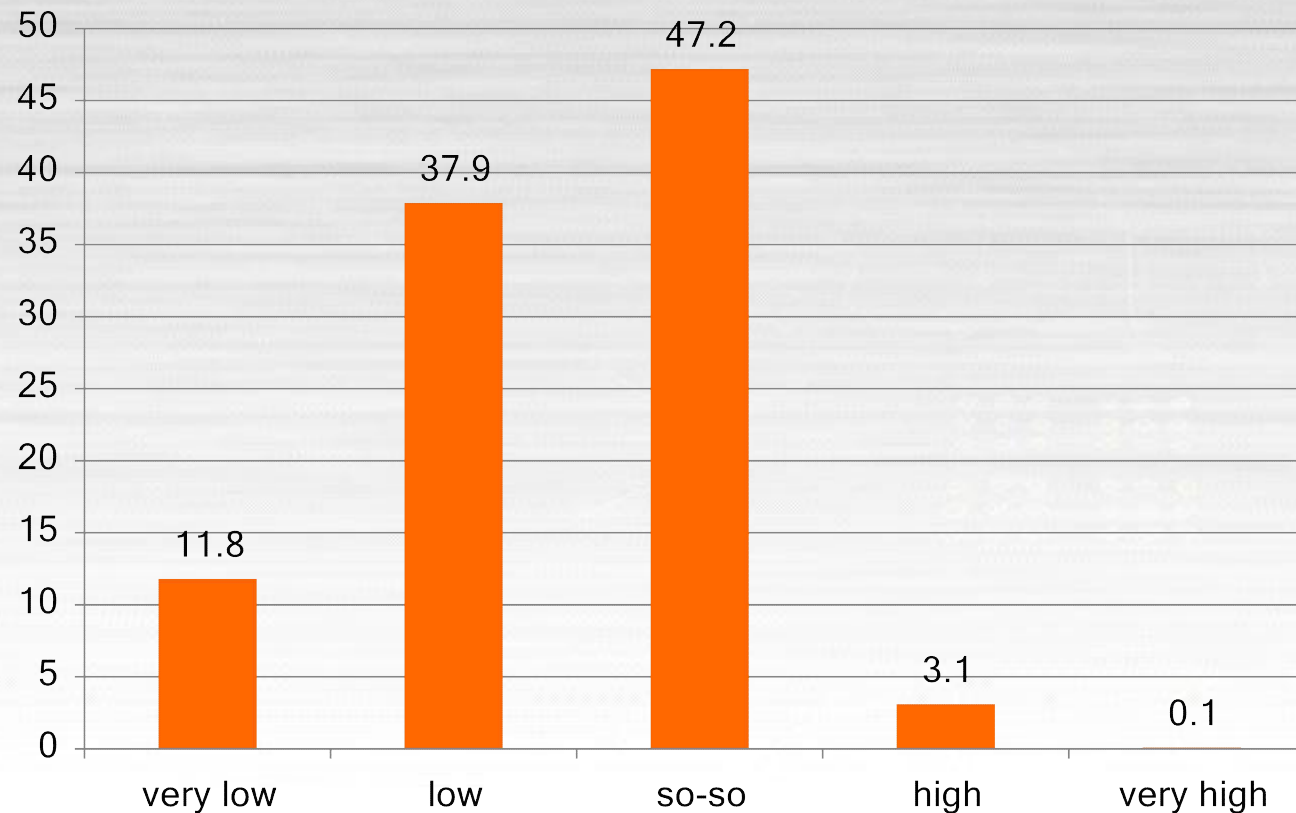
Current state of older persons' income security

■ Poverty and Inequality(by age and region)

		Inequality (gini)	Relative poverty		
			40%	50%	60%
over 65+	urban	0.732	44.5	45.5	46.8
	rural	0.496	18.4	23.6	31.9
below 65	urban	0.375	12.9	17.8	23.8
	rural	0.446	15.1	20.2	24.7

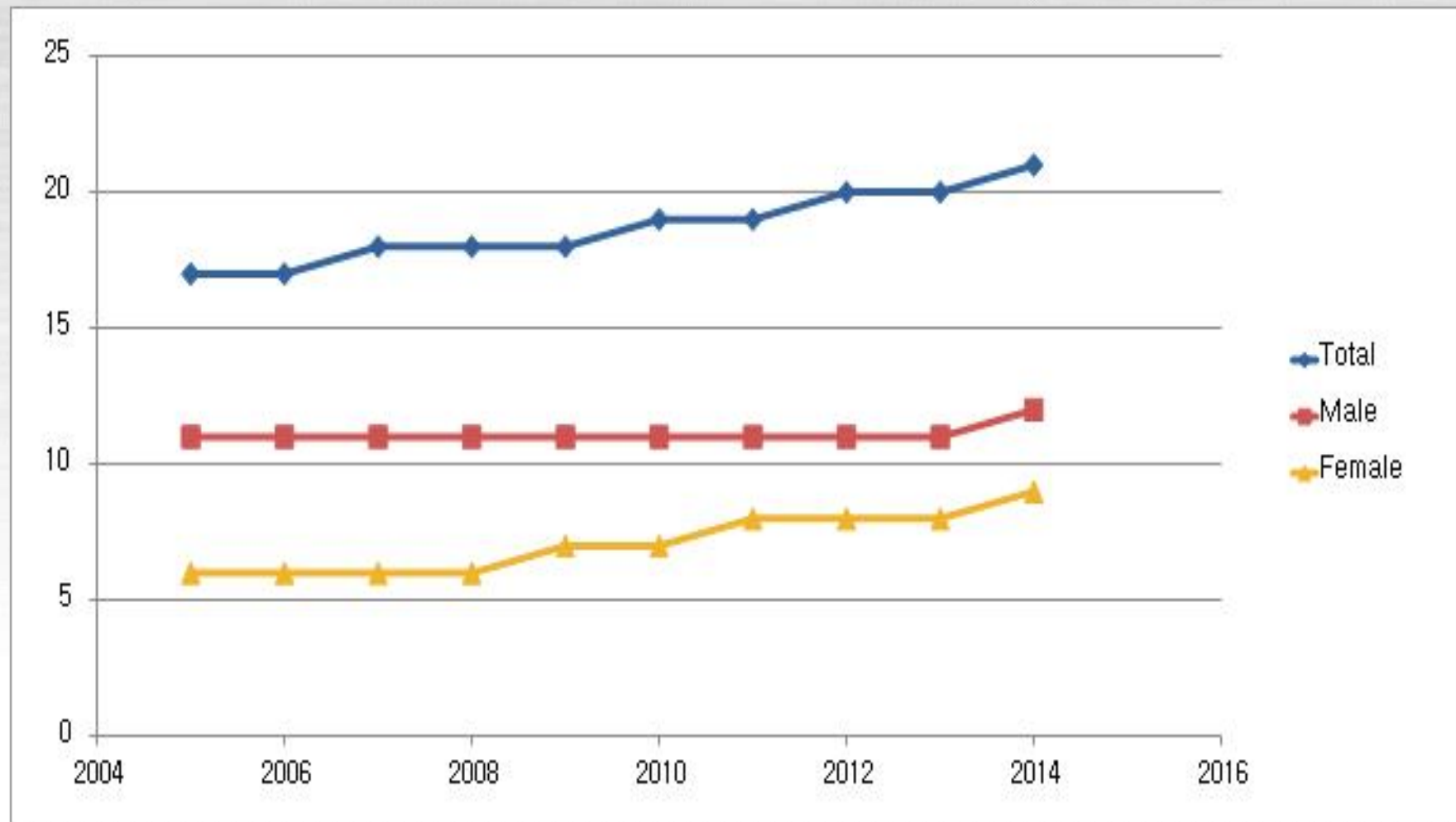
Current state of older persons' income security

■ Subjective economic status of older persons(percentage)



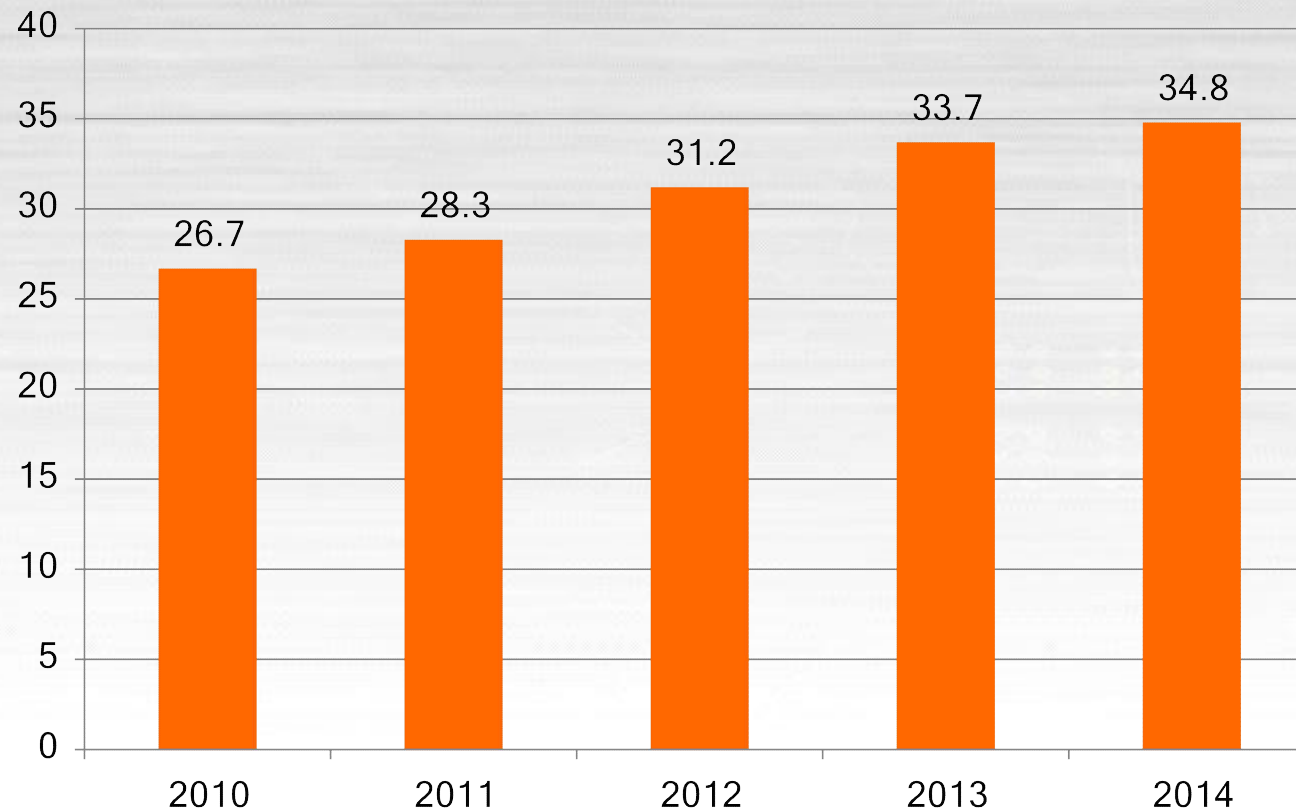
Current state of older persons' income security

Public pension beneficiaries(by sex)



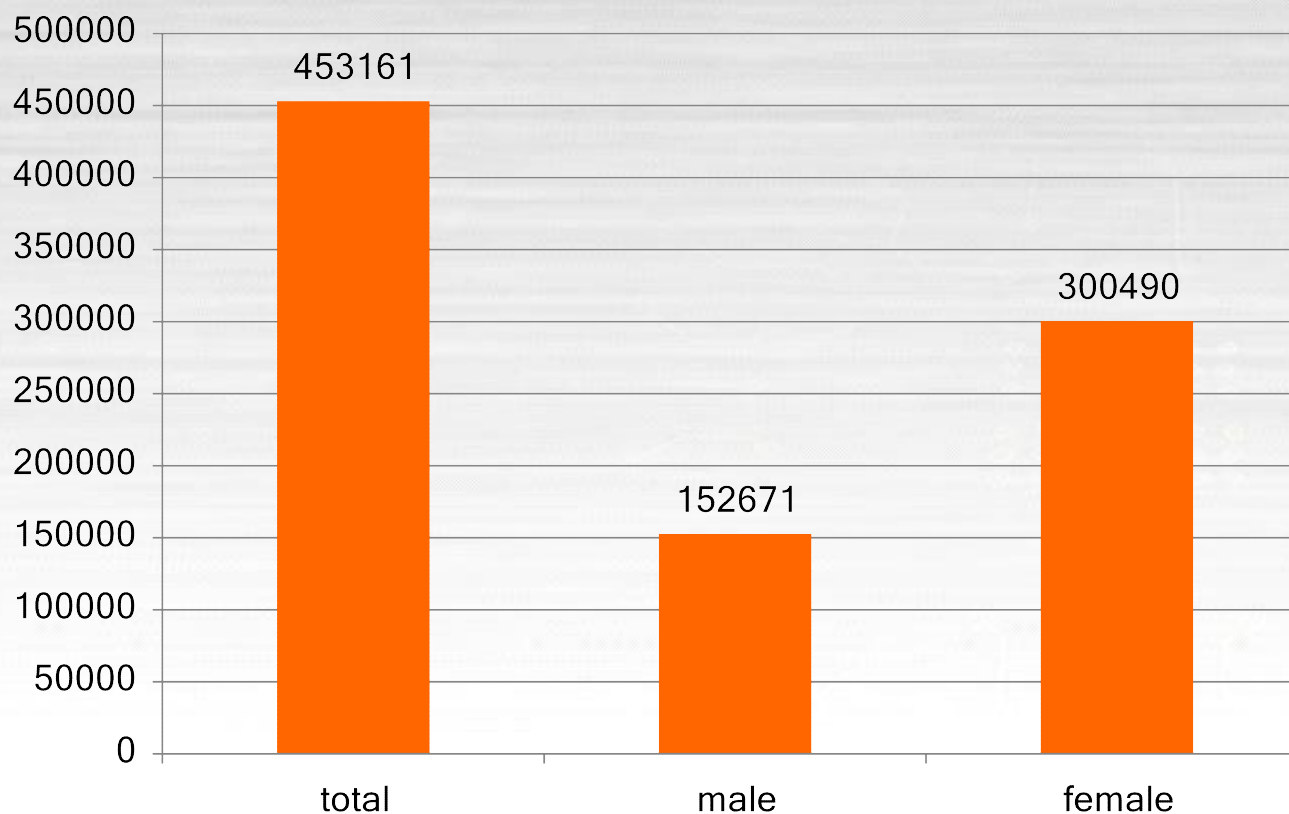
Current state of older persons' income security

■ Percentage of person beneficiaries among 65+



Current state of older persons' income security

- Number of Basic Livelihood Security Program recipients among older persons(by sex)



- Among 6.5 million older population only about 7%(453 thousand) are on public assistance program

Existing policies and programs

■ Multi-pillar old age income security program

3 tier	private pension, savings etc.	
2 tier	Retirement pension	
1 tier	Public Pension	
0 tier	Basic pension + Basic Livelihood Security Program	
Target	Economically Active Population	Economically Inctive

Existing policies and programs

Development of Korean National Pension Scheme

- First introduced in 1988 : income replacement rate 70%, insurance rate 9%
- Extension of coverage to individuals in rural areas(farmers and fishermen) in 1995,
- Extension of coverage to individuals in urban areas(including self-employed, thus covering all types of workers).
- However latent problems emerged due to such expansion
→ lack in infrastructure to secure income transparency raising blind spot and equity issues.

Existing policies and programs

Korean pension reform

- Undergoing two major reforms, first in 1998 and the second in 2007
- During 1998 reform two major changes took place :
 - 1) income replacement rate reduced from 70% to 60%
 - 2) Phase-in plan to increase eligible age for payment, starting from 60yrs old in 2013 and adding one year in every five years till it reaches 65yrs old in 2033

Existing policies and programs

2nd pension reform(2007)

- Two conflicting issues raised : blind spot and poverty problem vs financial instability of public pension
- Leading to the 2nd reform in 2007 :
 - 1) basic old age allowance introduced. Approximately 100 thousand won per month payment, covering 70% of older population
 - 2)deduction in income replacement rate
(2008 60%→ 50%, 0.5% deduction every year till it reaches 40% in 2028)

Existing policies and programs

Third pension reform(2014)

- Introduction of basic pension (in place of former basic old age allowance)
- First proposed during the 2012 presidential election, by then candidate Park Geun-Hye
- After more than a year of hot dispute, a modified scheme of covering 70% of older population and increasing maximum payment to 200 thousand won by linking the basic pension payment to public pension

Existing policies and programs

Basic Pension

- Target population : lower 70% of older persons(approximately 4.2 million among 6.5 million)
- 2014 eligibility : Household income below 870 thousand won for single households and 1.4million won for couple households.
- Maximum amount of payment for individual : 200 thousand won.
- Sliding in payment according to two factors:
 - 1) income level
 - 2) length of pension subscription
- Approximately 4.5million people eligible for basic pension, and approx. 4 million eligible for maximum payment of 200 thousand won

Existing policies and programs

Basic Livelihood Security Program

- Newly introduced in the year 2000, after the 1997 economic crisis
- Eligibility criteria :
 - ① income and asset criteria(below poverty line)
 - ② Lineal family members' income and asset criteria(130% of family member household poverty line/130% of family member household + recipient household poverty line)
- 2015 poverty line for single household : 617,281 won
- Supplementary benefit
- Recent changes in Basic Livelihood Security Program(2015.7): introduction of customized benefit(different eligibility criteria for livelihood, education, housing, medicaid benefit)

Existing policies and programs

Retirement Pension

- Introduced in 2005
- A scheme for employers to trust their employees retirement finance in a private financial company
- 50% of total regular workers(5.3 million) subscribed in 2014.
- Difference in subscription rate according to the size of workplace : 11.1% of workplaces with less than 10 employees, 39.3% of workplaces with 10~29 employees, 44.9% of workplaces with 30~99 employees, 56.7% of workplaces with 100~299 employees, 67.4% of workplaces with 300~499 employees and 85.5% of workplaces with more than 500 employees

Gaps between policies and older persons needs

Public pension blind spots

- Approximately 68% of total economically active population contributes to public pension, leaving one third of population in blind spot.
- Main reason : low level of income transparency
- Low level of contribution leading to low rate of reciprocity(or inadequate payment)
 - Only one third of population aged over 65(approx.2.2 million) are current public pension recipients
- Future prospect shows coverage will only rise to 50% in 2030~2040
- Adequacy of pension benefit : Average amount of payment 30 thousand won(15% average income of pension contributors).
 - pension benefit falls far short of public assistance.

Gaps between policies and older persons needs

Problems with newly introduced basic pension

- Linkage between basic pension and public pension will decrease motivation for public pension contribution
 - Amount of basic pension payment is reduced according to the duration of public pension contribution
- Linkage between basic pension and public assistance
 - Basic pension benefit regarded as income and 100% replaces public assistance benefit)
- Big question : will basic pension be a solution to high poverty among older population?

Gaps between policies and older persons needs

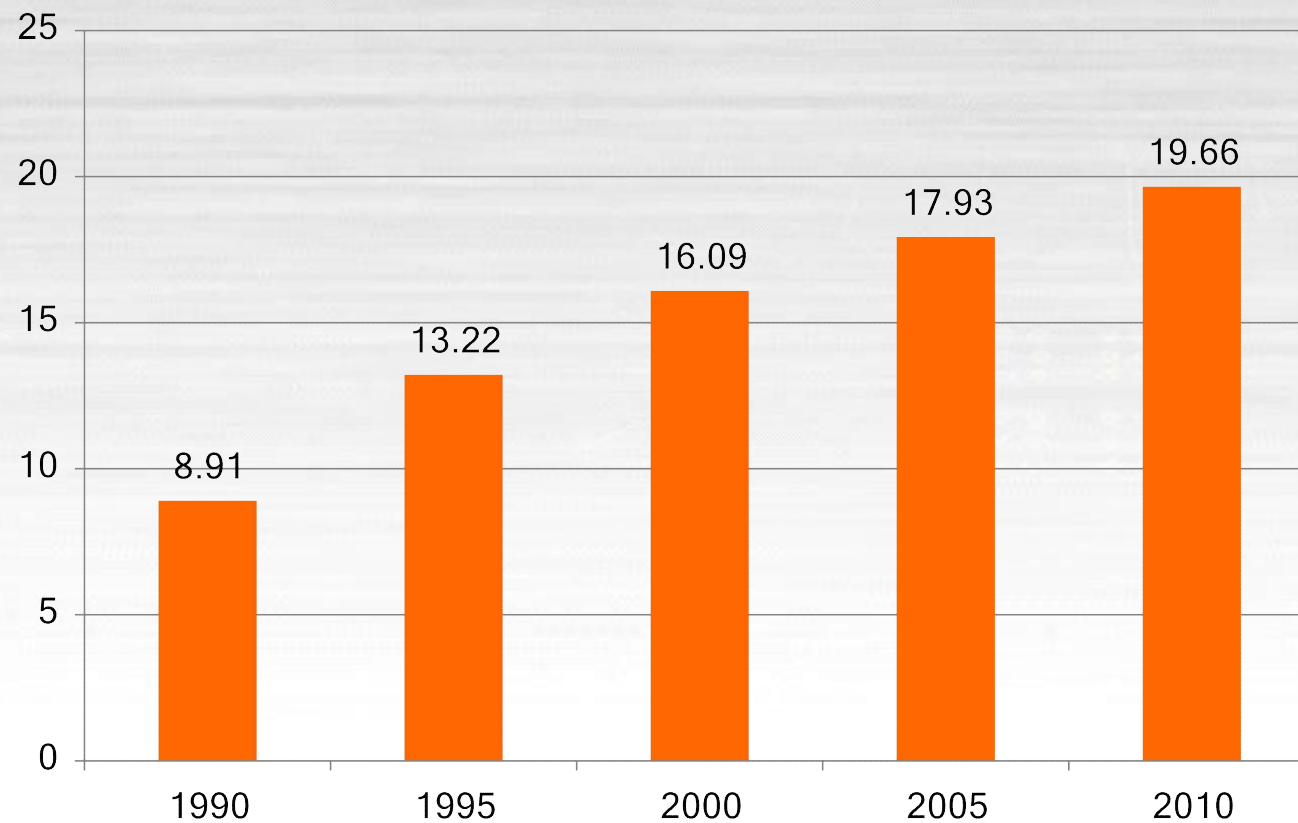
Problems with public assistance program

- Many older people in poverty are excluded from public assistance program due to the principle that lineal family should obligatorily support their family member
- Low income criteria for lineal family members
- Who is responsible for supporting older parents?

	by parents themselves	family	family, government, society	government, society
2008	11.9	40.7	43.6	3.8
2010	12.7	36	47.4	3.9
2012	13.9	33.2	48.7	4.2
2014	16.6	31.7	47.3	4.4

Gaps between policies and older persons needs

- Rapid increase in single households among older people



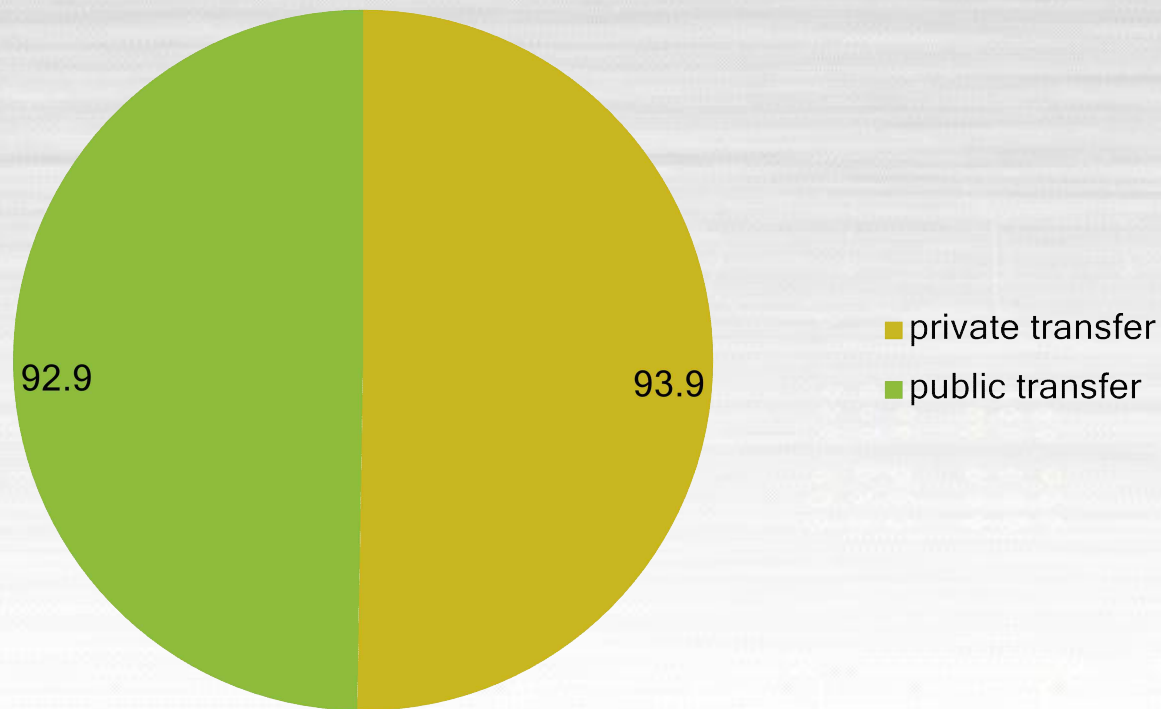
Gaps between policies and older persons needs

New generation of older population : the babyboomers

- Definition of 'babyboomer': Cohort born between 1955~1963
- Approximately 7.12 million, 14.6% of total population
- About 3.11 million babyboomers expected to retire from 2010 till 2018
- Characteristics of babyboomers : more educated, more economically well-off than the previous generation
- However, babyboomer's economic prospectus is not bright : low level of preparation for old age
- According to a survey by the Ministry of welfare, 53.7% replied not preparing for old age
- According to social survey statistics, 38.5% of babyboomers contributed to public pension, 19.5% subscribed to private pension, 24.3% had private savings etc.

Older persons' survival strategies

Relying on family



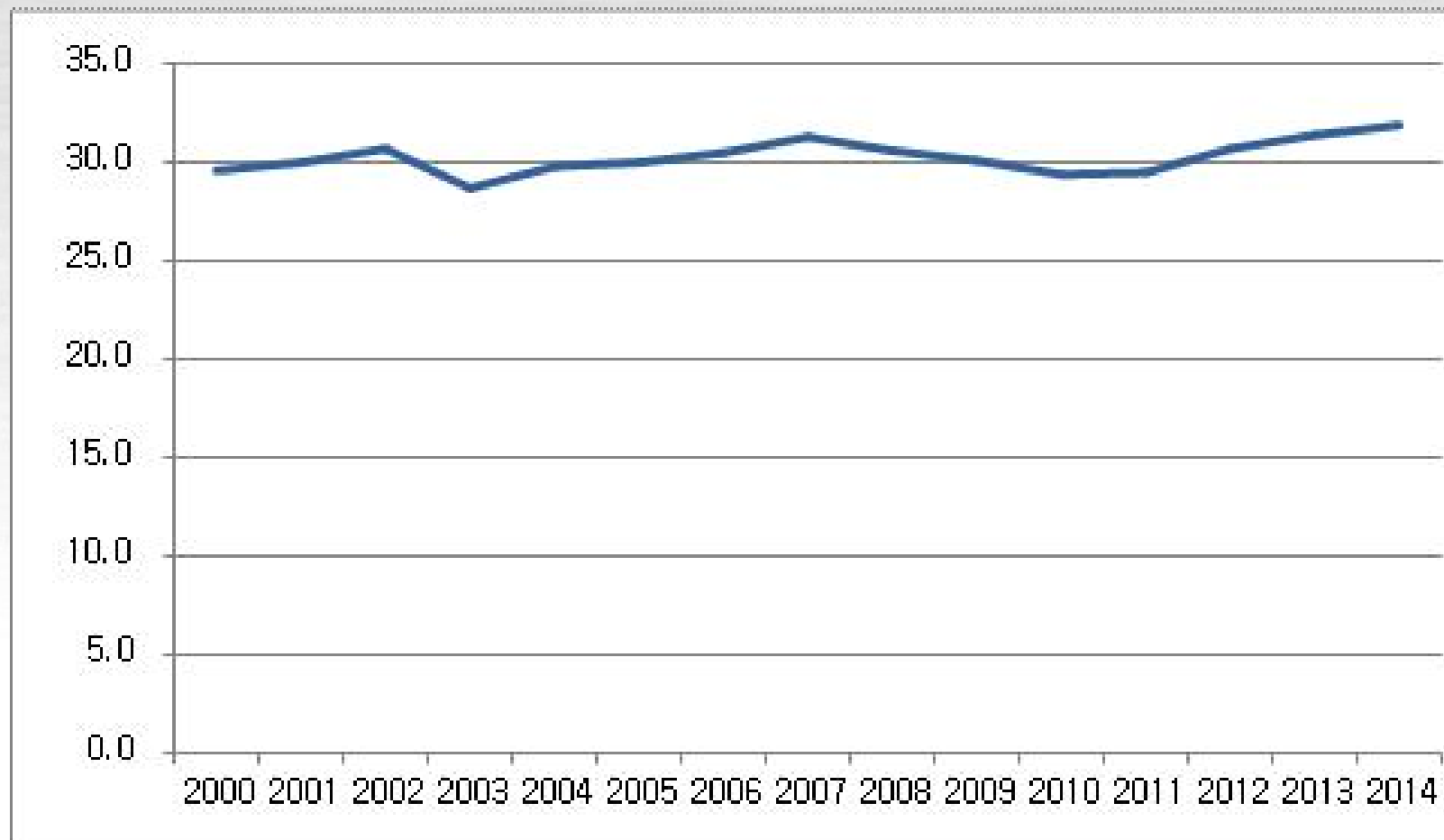
Data source : National Survey on Korean Older Persons 2014

- 93.9% of older persons' household had private transfer income and 92.7% had public transfer income

Older persons' survival strategies

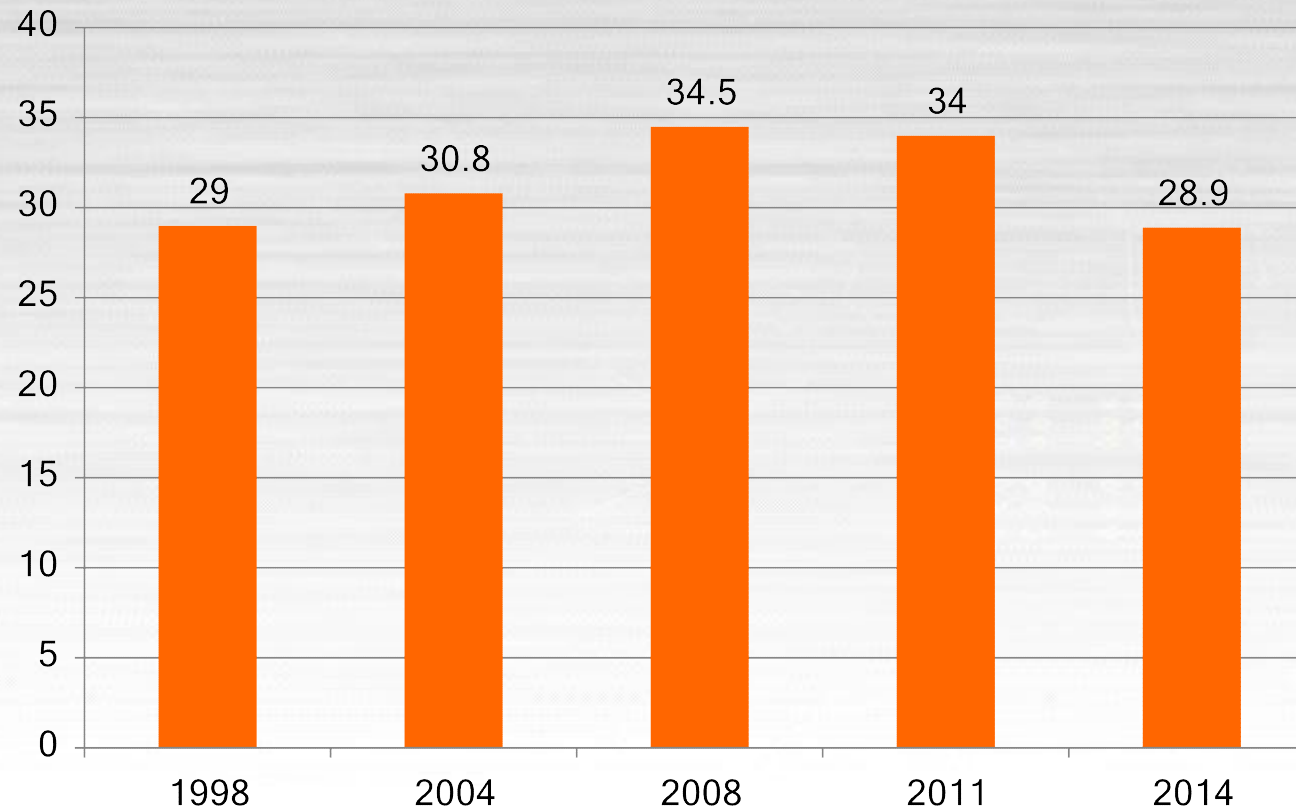
Relying on the labor market

■ Labor market participation rate of older persons



Older persons' survival strategies

Percentage of employed older persons



Older persons' survival strategies

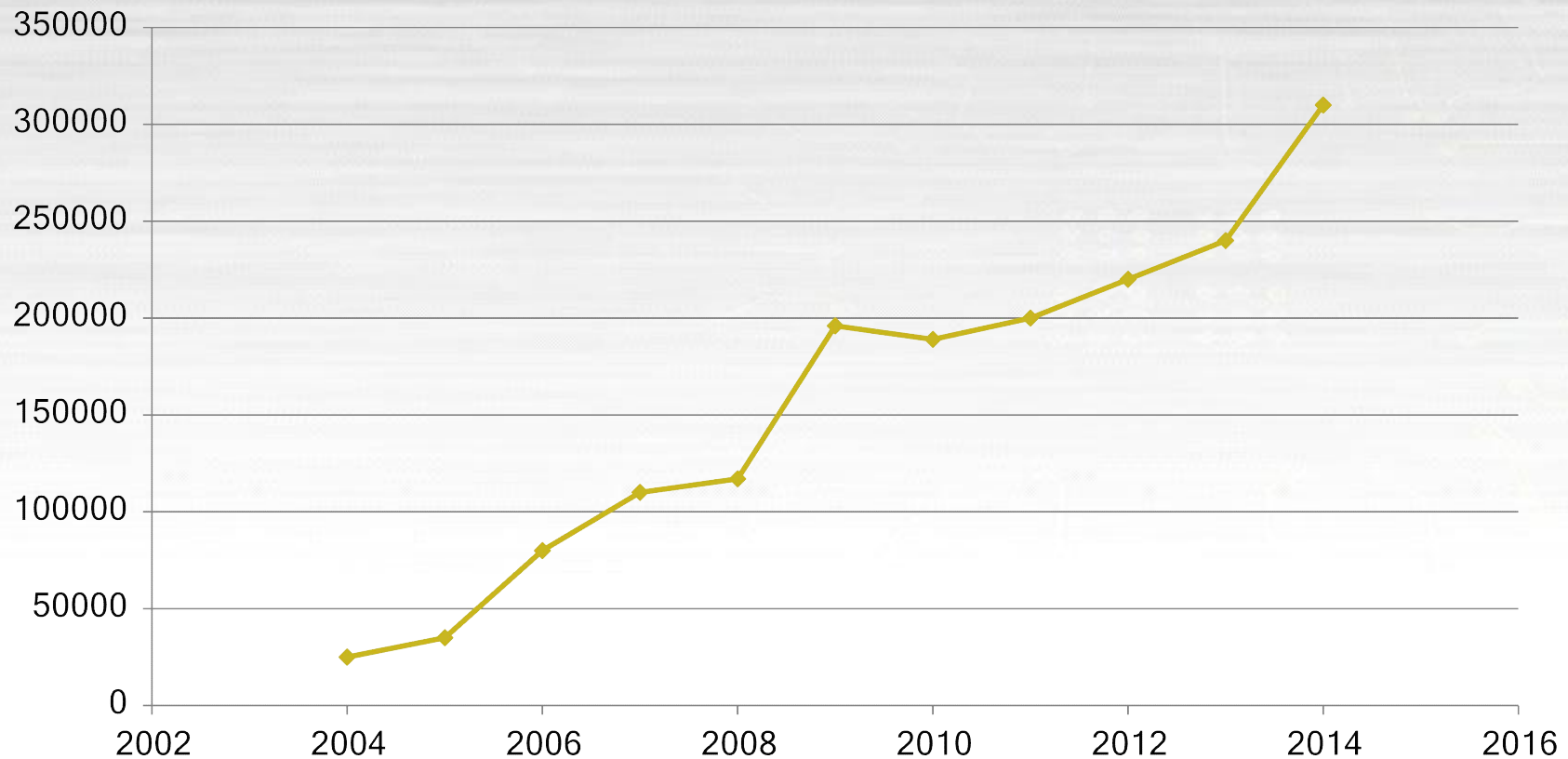
Occupations of employed older persons

	1994	1998	2004	2008	2011	2014
farming/agriculture/fishery	56.6	60.4	53.9	51.2	52.9	36.4
manual labor	21.1	21.5	27.8	26.2	26.1	36.6
service/sales	12.3	8.8	8.8	11.4	11.7	11.8
mechanics	0.7	0.4	2.7	3.1	2.8	4.8
technician	2.7	2.7	1.9	2.8	3.2	2.6
managerial post	-	2	1.8	2.7	1	3.7
professionals	2.9	1.9	1.3	1.7	2	2.7
semi-professionals	0.4	1.1	1.1	0	0	0
office work	3.3	1.2	0.7	0.9	0.3	1.5

Older persons' survival strategies

Participation in public jobs

- Public job creation for older persons introduced in 2004
- 310,000 jobs created(2014)



Older persons' survival strategies

Types of public created jobs

- Social jobs : environment keeping, criminal patroller, librarian assistant etc.(174,945)
- Welfare jobs : care service for elderly-only households, childcare services etc.(61,015)
- Educational jobs : traditional customs educator, ecology educator, etc.(33,284)
- Market-oriented jobs : gas station attendant, delivery service etc.(36,578)

Policy suggestions

- Complicated income security system : a product of financial limitation + emerging problems in reality + ambiguous policy objective

→ Total readjustment necessary

- For the time being,

→ handle blind spots of public assistance by increasing income criteria for lineal family members

→ labor market structural reform : increasing obligatory retirement age, introducing regulations to enable older workers to have decent jobs and to stay longer in the labor market

- Not too much to exert the importance of welfare finance



Thank you!

