

# Inclusive Service Delivery in Korea

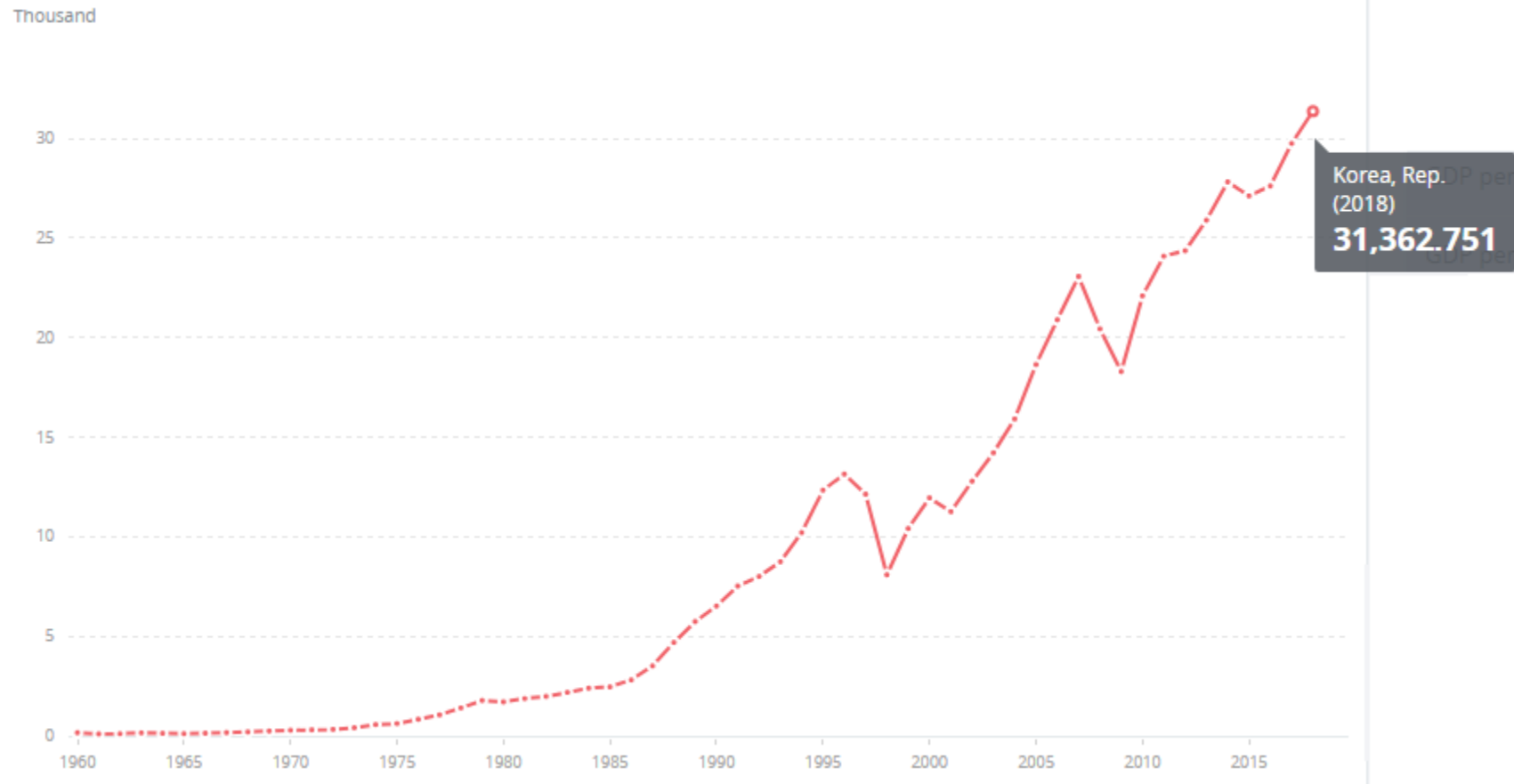
**Hyeon-Suk Lyu**

**Senior Research Fellow**

**Korea Institute of Public Administration**

# Korea's Current Status: GDP

## GDP per capita (current US\$)



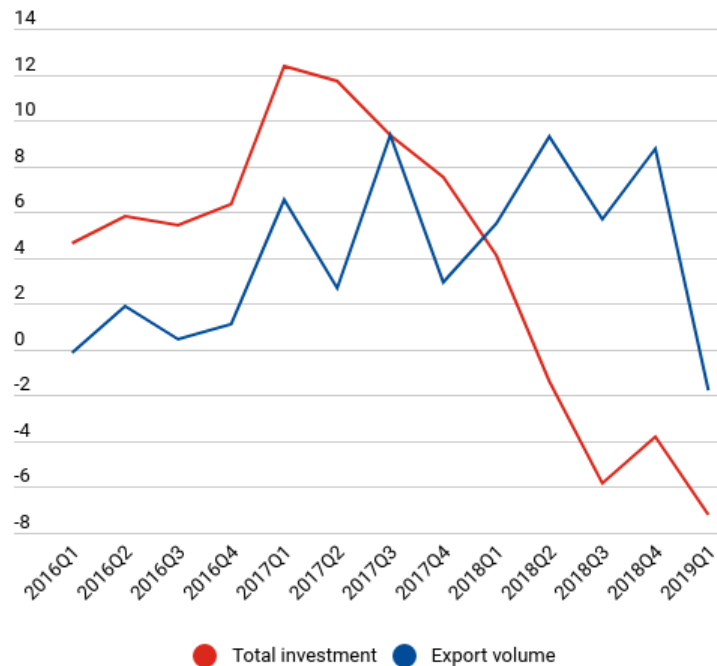
Source: World Bank (2019)

# Korea's Current Status: Long-term low growth

## Slowing growth

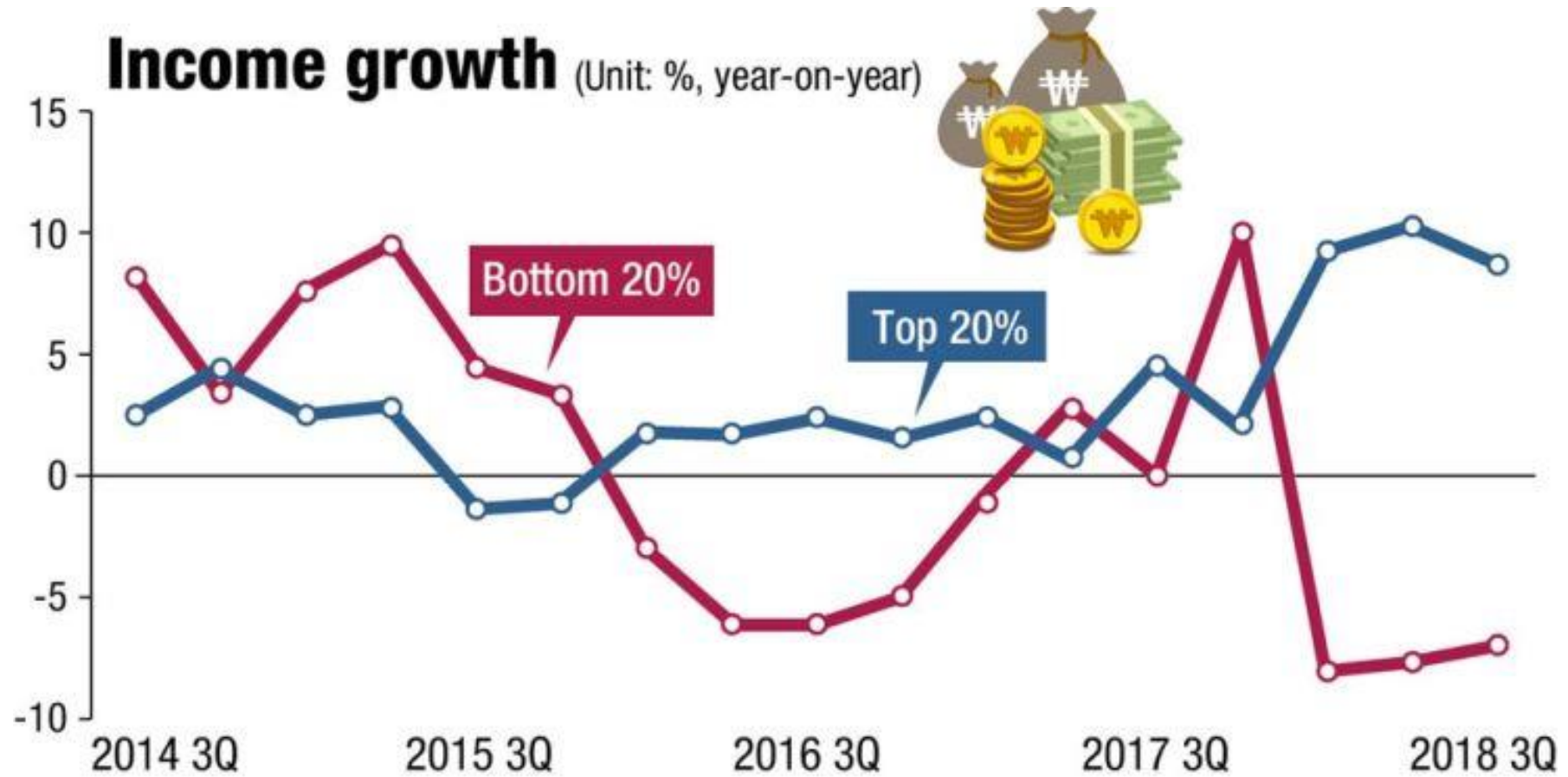
Korea owes its recent economic slowdown to sluggish investment and weakening external demand.

(percent, year on year growth)



Source: CEIC Data Company LTD.

# Korea's Current Status: Income Polarization



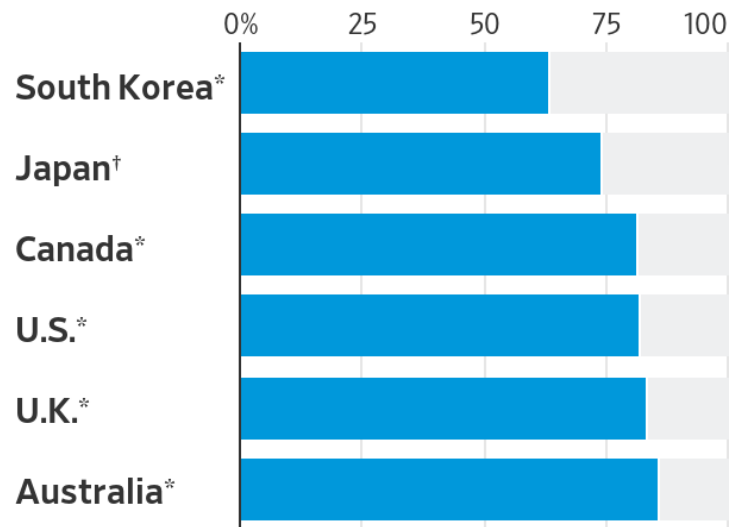
Source: Statistics Korea

# Korea's Current Status: Gender Inequality

## Gender Disparity

Women's pay lags behind men's in South Korea by a greater percentage than in any other OECD country.

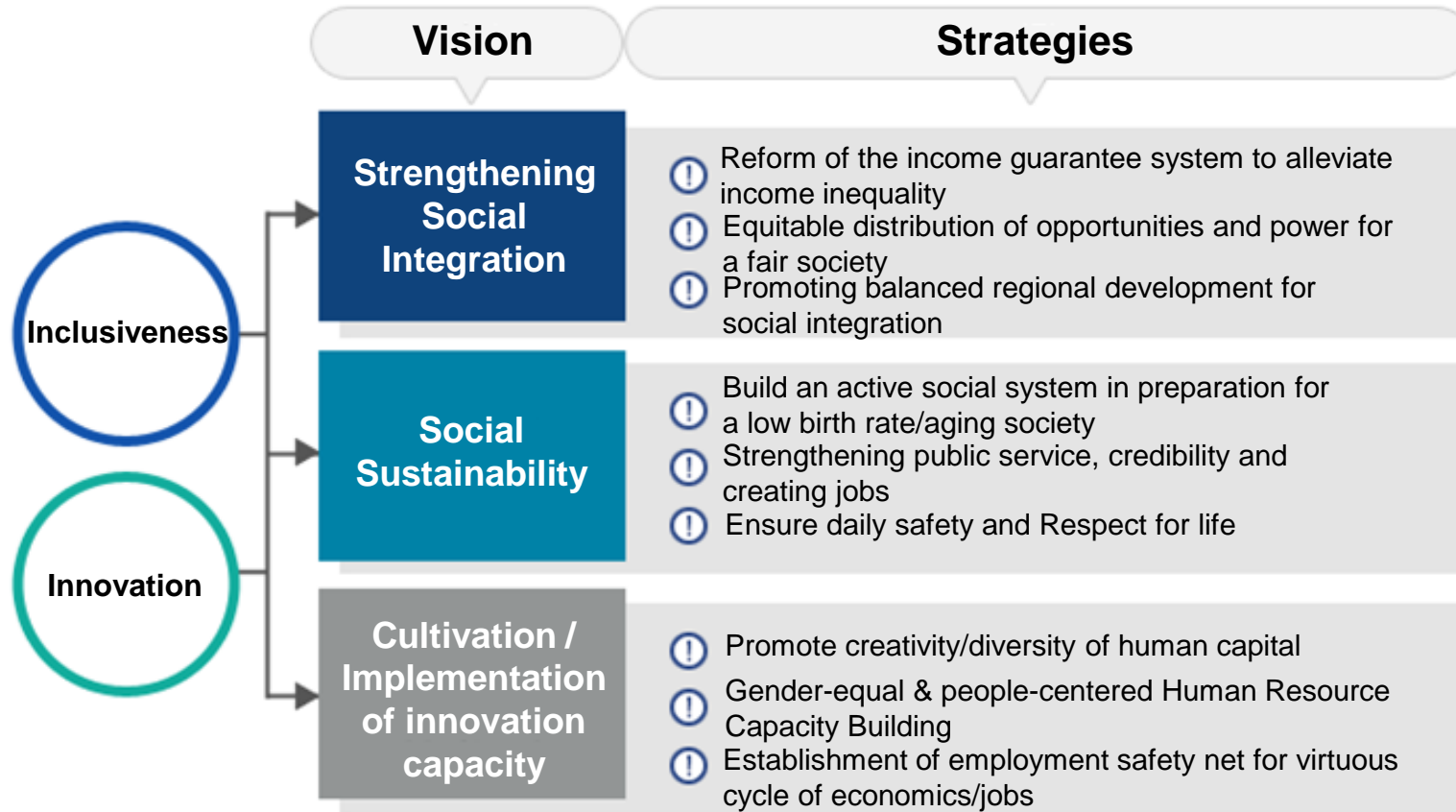
■ Women's wages as a share of men's



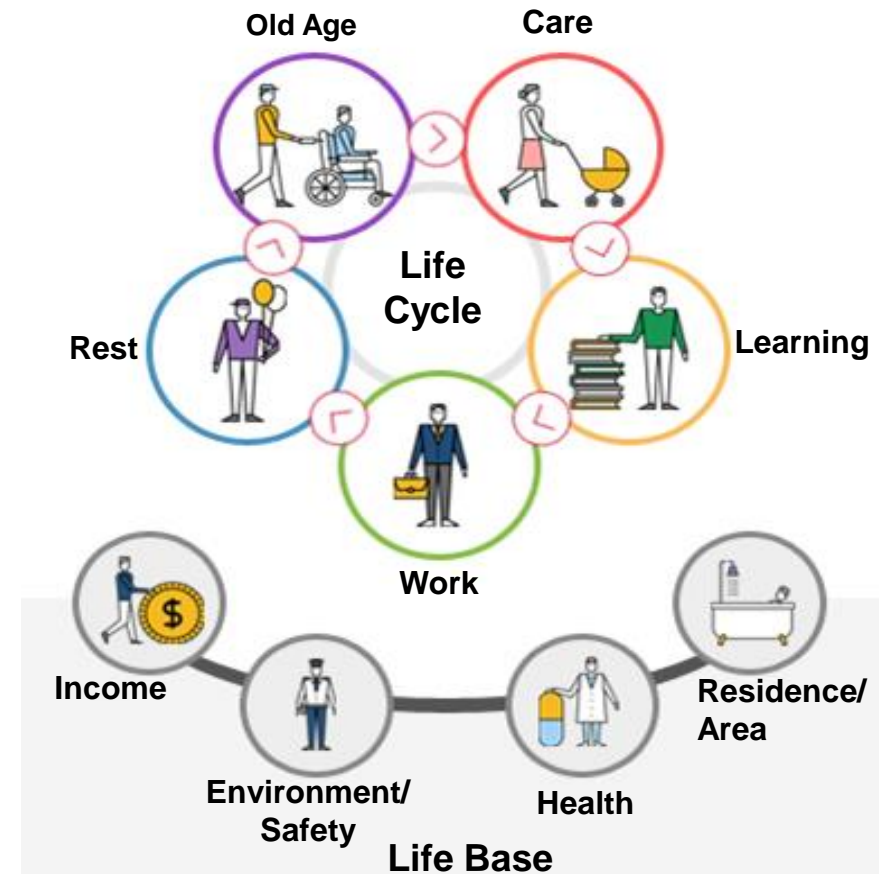
\*2016 data †2015 data Note: Median wages for full-time and self-employed workers of selected OECD countries.

Source: Organization for Economic Cooperation and Development

# New Paradigm: Korea's Inclusive Initiatives



**Inclusive Country, 3 Visions 9 Strategies**



**People's Life**

# Income-led Growth Policy

- **Non-linear relationship between inequality and growth, with significant negative impacts of inequality on growth**
- **Excessive inequality can be a crucial matter of social policy or politics: a weak version of “inclusive growth”**
- **Given the significant macroeconomic impacts of inequality, “income-led” growth (ILG) strategies can be understood as a coherent set of policies to facilitate economic growth and stability through reducing inequality.**
- **For its success, ILG need to influence both primary and secondary income distributions through an effective policy mix**
  - Economic policies (macro, sectoral, and competition policies), especially for discouraging “rent-seeking” and boosting investment
  - Social protection for consumption smoothing and economic transition
  - Labor market and job creation programs
- **ILG is not just about increasing wages but more about a wide range of policies which can lead to pro-growth distributional outcomes.**
  - Policy shifts underlying “income-led growth” may require rebalancing market, state and community:
  - “The state must prevent the cycles of rising inequality, leading to state capture, which in turn enforces social, political economic inequality” (Stockholm Statement)
  - For that, the state needs to operate efficiently with clear visions/ strategies
  - ILG, which inevitably involves distributional adjustments, requires constructing a new social and political alliance, or a new social contract

# Impact of the initiative ① Children & Youth

- **Increasing Child Allowance**

In order to support them, all children under 6 years of age are paid 100,000 won (approx. US\$85), regardless of household income status. (Since September, it is applied to 7 years old)

- **Strengthening Child Care Service**

Specialized child caregiver visits dual income families under 150% of median income with children under 12

- **Increased Educational Benefits**

materials and school supplies will be provided to elementary and secondary school students under 50% median income.

(For elementary school students 203,000 won (approx. US\$170), For secondary school students 290,000 won (approx. US\$240))

- **Expansion of Elementary School Care Class**

After-school care service is provided to elementary school students of working families, low-income families and lone parent families. From 2018 to 2022, 700 rooms will be added each year, with a total of 3,500 rooms.



# Impact of the initiative ② Employees

- **From irregular workers to regular workers**

The goal is to eradicate the abuse of irregular workers in the public sector and discrimination, including the wage disparity. In 2017, 86,000 irregular workers have been converted to regular workers, and in 2019, converting 205,000 worker is targeted

- **52 Working hours per week**

The maximum working hours per week including holidays is restricted to 52 hours. The annual working hours are gradually decreasing to 2,052 hours in 2016, 2,014 hours in 2017 and 1,986 hours in 2018

- **Increasing Labor and Child Benefits**

Child incentive is provided to low-income households. The maximum amount of the subsidy has been raised from 850,000 to 1,500,000 won (approx. US\$710 – US\$1,250)

- **Amendment to the Industrial Safety and Health Act**

Full revision of the law ever since there were legislated 28 years ago

- Restriction of internal contraction of hazardous and dangerous work
- Special type workers and delivery workers are also protected.
- Expand the scope of safety and health measures of the main contractor to the entire workplace

# Impact of the initiative ③ Youths

- **Youth Tomorrow Income Tax Deduction**

It is earned jointly by youth worker in small and medium-sized enterprises, the companies, and government. In the case of the three-year type, if you pay 165,000 won (approx. US\$ 140) per month, you can receive 30,000,000 won (approx. US\$ 25,000) at maturity. As of March 2019, 186,000 people have joined. The percentage of workers who services more than one year is reached by 78.1% when they join into the Youth Tomorrow Deduction. It is higher than 29.7% when the workers do not

- **Financial Support for Youth Job Seekers**

18 ~ 34 years old, less than 120% of the median income, and the unemployed after graduation are given job seekers allowance for 6 months of 500,000 won (approx. US\$420)per month. As of March 2019, about 48,000 people have applied for it, and it is planned to provide 158.2 billion won (approx. US\$ 132 million) to 80,000 people this year.

- **Special Youth Bank Account**

Low-income and homeless youths are supported in order to solve housing problems. 19-34 years old (admitted for military service), homeless householders with income less than 30 million won (approx. US\$ 25,000) per year are the main target.

- **Youth Employment Policy in Public Sector**

As for all public bodies, it is mandatory to hire more than 3% quota as young people every year. Each year, the performance of public bodies and local enterprise is reflected into the management evaluations and the list of non-executive institutions will be announced. As of 2018, 367 of the 447 target institutions have implemented, and the number of new youth employment increased by 35.6% to 25,676.

# Impact of the initiative ④ Parents

- **Strengthening Parental Support regarding Childbirth and Childcare**

The first three months of parental leave allowances are raised from 40% to 80% of regular wages, and the support for pregnancy and maternity care benefits increased from 500,000 and 900,000 won (approx. US\$420-750) to 600,000 and 1,000,000 won (approx. US\$500-830). (the latter is for multiple children).

- **Enlarging Health Insurance Coverage**

Three exclusions from the existing health insurance (special care, advanced hospital, nursing) will be covered by this reform. This enlargement reduces medical expenses of the vulnerable social groups such as the elderly, women and children. It also reduces burden on patients by covering the costs of getting MRI ultrasound.

- **Expanding support for the lone parent family's children**

Under 18 years old children in low-income lone parent family are eligible. The support for teen parent will be extended from 170,000 won to 350,000 won (approx. US\$140-292) per month, while the support for low-income lone parents will be extended from 120,000 won to 200,000 won (approx. US\$100-170) per month.

- **Residential Welfare Roadmap: 695,000 public rental housing**

Public housing is rented to the young, newlyweds, seniors, and low income families. In 2018, 148,000 units will be supplied, and it is planned to supply 695,000 units by 2022.

# Impact of the initiative ⑤ Entrepreneurs

- **Regulatory Sandbox**

It suspends or de-regulates regulation under certain conditions to activate the market for new technology and services that are hindered by regulations

- **Expansion of New Venture Fund**

It supports venture capital needed to grow ventures, esp. for SMEs. As of April 2019, 38 companies will receive 339.5 billion won (approx. US\$284 million) for growth.

- **Widening Exemptions from Contribution for Manufacturing Start-Up Companies**

Manufacturing start-ups can be exempt from 16 levy fees for the first three years.

- **Creation of a private-led venture ecosystem**

A private entrepreneurship training college will be established to support the entire process of starting a business from establishment of business plans to commercialization. Funds for start-up companies were increased from a maximum of 100 million won (approx. US\$84,000) per company in 2018 to 130 million won (approx. US\$108,000) in March 2019.

# Impact of the initiative ⑥ Gender Equality

- **Digital Sex Offense One-Stop Support**

Digital Sex Crime Damage Counseling and customized assistance including illegal recording deletion will be provided. From April 30, 2018 to March 31, 2019, there were a total of 49,879 cases.

- **Women's career interruption prevention**

Provide career interruption prevention counseling and consulting for working women and companies.

- **Family-Friendly Certification**

Family-Friendly Accreditation is given to best operating companies and institutions and provide supportive consulting and job training. When selected, 212 incentives will be offered, including favorable interest rates for investment/loan and preferential treatment for immigration inspection.

- **Establishment of a department dedicated to gender equality at major ministries**

Establishment of a cooperation system for government agencies to systematically respond to gender discrimination and sexual violence issues.

# Impact of the initiative ⑦ Retired people

- **Employment Incentives for Eligible Jobs for a New Middle-age Group**

Re-employment support to take advantage of the years of experience and expertise will be provided. Employer who retained employment of the middle-age persons (50 years old and over) for 213 suitable jobs as full-time worker (min. three months) is targeted. Providing labor costs of 800,000 won (approx. US\$670) per month for priority support companies and 400,000 won (approx. US\$335) per month for midsize companies for maximum one year.

- **Widen the Eligibility of Employment Insurance**

Strengthen job safety nets by expanding employment insurance coverage.

- **Enhancing Unemployment Benefits**

Strengthen livelihood support and re-employment assistance for the unemployed. Unemployment benefit payments increased from 50% of the average wages to 60%, Payment period is extended from 90-240 days to 120-270 days.

- **Hope Return Package**

Support for recovery of small business owners who has closed and planning to close business

# How it benefits the vulnerable ① Elderly

- **National Responsibility System for Dementia**

Established a full-time dementia protection system covering a whole phase from dementia prevention to family support, including 256 dementia relief centers nationwide. Severe dementia patients' medical expenses will be reduced from a maximum of 60% to 10%, and 380,000 dementia patients are registered and managed at a dementia relief center. (as of March 2019)

- **Increase of Basic Pension**

Reinforcing income support for low-income seniors who are in the bottom 70 percent low-income senior group aged 65 or older. By 2021, all beneficiaries will be paid up to 300,000 won (approx. US\$250) per month.

- **Widening jobs for the elderly**

Support for income and social participation after retirement. The funds for public service activities was increased from 220,000 to 270,000 won (approx. US\$185-270) per month, and the elderly jobs were greatly increased.

- **Phasing out family support obligation rules**

The plan will be phased out by 2022 to secure livelihoods of low-income seniors who are excluded from basic living security due to dependent mandates.

# How it benefits the vulnerable ② People with Disabilities

- **Increase of Basic Annuity for Pension for the Disabled**

In order to strengthen income security for low-income people with severe disabilities, the basic salary is raised if they are at least 18 years old and in the bottom 70 percent of low-income group. By 2021, it is planned to pay up to 300,000 won (approx. US\$250) per month to all recipients.

- **Expanding the basis of participation in the physical education for the disabled**

Support the creation of an environment to promote the participation of people with disabilities in sports. Planning to open 7 physical education centers for people with disabilities, operate of 3 physical disability certification centers, and deploy 800 physical education leaders for the disabled.

- **Comprehensive measures based upon life cycle of people with developmental disabilities**

Implement life-cycle customized support for people with developmental disabilities, including care, education and jobs. The kindergarten special class has expanded to 122 classes and supports 2,500 students by introducing daytime services for adults with developmental disabilities. By April 2019, 55 public jobs were created for people with severe disabilities.



# Lessons: what works

- **What works:**

- Reducing the burden of national medical expenses through the “Moon Jae-in Care” and Dementia Country Responsible System
- Increasing national income guarantees by raising the basic pension and annuities for the disabled, and phasing out family support obligation rules of national basic living security system.
- Expansion of child allowances and housing welfare for low-income families etc.
- Expansion of public jobs and welfare benefits for the elderly and youth
- Creating a Safe Childcare Environment

# Lessons: what do not work

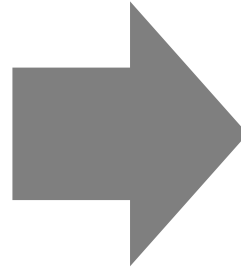
- **What do not work:**

- The gap between income, generation, gender and region does not appear to be narrowing
- Wage gap between regular and non-regular works remain
- Violence against children and women is yet to be solved
- The quality of employment: high wage, high value-add jobs for women and the youths still fall short
- Low fertility(population cliff), population aging and wage disparity between men and women
- Increasing minimum wage reduces income of self-employed and increased closed business
- Low quality job creation for the disabled and their low independent living rate

# “What do not work” case: Gender Equality is still marginalized

## ● Current Policies for Women

- Reduction of working hours for childcare
- Activating parental leave
- Promoting re-employment of career interruption women
- All-day care system
- Increasing child benefit
- Increasing tax support for work promotion
- Strengthening health insurance coverage
- Strengthening support for delivery
- Expansion of responsible medical institutions by region
- Expand child support
- Social Service Manpower Training



**Too much emphasis on  
children, parenting, and care**

**There is **NO** policy  
for women**

# Key Challenges

- 1) Creating high wage, high value-add jobs for women and the youths**
- 2) Achieving gender equality**
- 3) Effectively reducing violence against children and women**
- 4) Creating better economic environment for self-employed**
- 5) Constantly dealing with low birth rate and population aging issue**
- 6) Bridging the discriminatory working environment and wage gap between regular and non-regular workers**

# Possible Suggestions

- Restrictive product market regulation hinders competition and productivity gains, particularly in services.
  - ⇒ **Reduce the regulatory burden on economic activity and monitor progress in regulatory reform.**
- The employment rate of women is 20%p below the rate of Korean men, the fourth-largest gap in the OECD.
  - ⇒ **Strengthen policies to support employment of women and older persons.**
- Dualism drives inequality by creating large wage gaps between regular and non-regular workers and reduces productivity growth by discouraging firm-based training.
  - ⇒ **Reform EPL and break down labour market dualism.**
- The tax system should be made more growth-friendly, while social spending, which as a share of GDP is half of the OECD average, continues to increase.
  - ⇒ **Improve the efficiency of the tax system and strengthen the social safety net.**
- Support for producers, almost three times the OECD average, imposes a large burden on consumers. Assistance to farmers is provided primarily through market price support, which distorts the structure of agriculture.
  - ⇒ **Reduce producer support to agriculture.**

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**Thank You**