

## **Social assistance in nine OECD countries**

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In-Young Jung

Sahmyook University, Korea  
iyj100@gmail.com

### **Abstract**

As a form of social security, means-tested social assistance has acquired an increasing importance in the comparative literature on welfare states. Although there is a growing number of international and comparative studies of East Asian social policy, relatively little attention has been paid to social assistance schemes in this region. This paper makes an effort to step into some of the gaps. It compares social assistance in Korea with that in Japan and seven European countries in terms of expenditure and claimant numbers, conditions of eligibility and entitlement, and benefit levels. This forms the basis to locate Korea within social assistance regime theory. Compared with other countries, the Korean assistance scheme can be characterised by a rather marginal, national, general model with strict eligibility and entitlement rules and relatively low benefit levels. The study also found that the Korean scheme contains elements of British, Portuguese and Japanese models.

### **Introduction**

Interest in targeting, selectivity and means-testing continues to grow in international context. In many OECD countries, there was steady increase in both the volume of social assistance expenditure and the recipient numbers, driven by rising levels of unemployment and social and family changes up to 2000 (Behrendt, 2002; Eardley et al., 1996; Ditch and Oldfield, 1999, Gough et al., 1997). Targeted means-tested social assistance schemes are widely recommended by the World Bank and the other international agencies for Eastern European countries and other developing world as an essential social

protection measure to support its limited insurance-based systems. In East Asia, the need for more institutionalised and comprehensive social assistance schemes for those facing the risk of unemployment and poverty came to the fore, due to the outbreak of the Asian economic crisis of 1997 (Leung, 2006). In Korea, in the wake of the Asian economic crisis, categorical assistance, which had had a Poor Law tradition for about forty years, was replaced by a general social assistance scheme, which is designed to guarantee a minimum living standard for all citizens, in 2000.

Social assistance schemes become de facto poverty lines and play a crucial role for the prevention and alleviation of poverty in modern welfare states (Eardley et al., 1996). If social assistance, which is a final safety net, fails to protect people from poverty, there is no other filter to hold them back and they will fall into poverty (Behrendt, 2002). Therefore, means-tested social assistance is growing in importance in nearly all industrialised countries.

Previous studies have carried out comparative research on social assistance on the scale of Europe (Behrendt, 2002; Kuivalainen, 2004; Saraceno, 2002) and the OECD, including Japan, which was the only representative of the Pacific/Confucian regime at the time of studies (Eardley et al., 1996; Gough et al., 1997). Although there is a growing number of international and comparative studies of East Asian social policy, in particular, with regard to East Asian welfare state models/regimes, social insurance schemes and social welfare reforms after the 1997 economic crisis, relatively little attention has been paid to social assistance schemes in this region (except Jung, 2007; Leung, 2006).

This paper makes an effort to step into some of the gaps. The main aim of the study is thus to contribute to enriching our understanding of East Asian social policy and existing comparative knowledge on social assistance. The study puts Korea in a wider international context to see how far it constitutes a unique case or how far it differs from other countries. Korea is compared to eight countries in terms of expenditure and the number of recipients, conditions of eligibility and entitlement and benefit levels. This forms the basis to place Korea within social assistance regime theory.

### **Choice of cases and terminology**

In the paper, Korea is compared with eight countries representing different welfare state regimes (Esping-Andersen, 1990, 1999), poverty regimes (Leibfried, 1992) and social assistance regimes (Lødemel and Schulte, 1992; Eardley et al., 1996; Gough et al., 1997). Britain, Germany and Sweden have been selected as paradigmatic cases for three

distinct welfare states, representing liberal, conservative and social democratic regimes, respectively. Portugal has been chosen as a representative of the Southern European model/Latin Rim. Additional two countries regarded hybrid welfare states have been selected: Ireland (a hybrid of liberal and conservative regimes) and the Netherlands (a mix of conservative and social democratic regimes). Finland has been selected to a Nordic counterpart to Sweden since it deemed a latecomer to the Nordic welfare regime, which joined it in the late 1980s (Kangas, 1994; Kuivalainen, 2004). Japan, which was the only East Asian country in the previous comparative research on social assistance, has been chosen as an East Asian counterpart to Korea. In fact, the last five selected do not fit clearly into one of the three clusters and there is some ambiguity in locating the five countries within welfare state or social assistance regime theory. Yet these cases would offer a better mirror and more comprehensive comparison than including only the three archetypes (Kuivalainen, 2004).

Social assistance does not have a fixed or universally accepted definition. Many countries have various and different social assistance systems. These social assistance schemes take the form of last resort means-tested benefits, including cash and in-kind benefits, targeted to those below a certain poverty line. Of Eardley et al. (1996)'s three categories of resource-tested benefits, including general assistance, categorical assistance and tied assistance, the main focus of this article is on general assistance. General assistance is defined as schemes that guarantee a minimum income standard to all (or almost all) people, rather than to specific groups. General assistance schemes included in this study are: Income Support in the UK, Sozialhilfe in Germany, Social Welfare Allowance in Sweden, Living Allowance in Finland, Supplementary Welfare Allowance in Ireland, Algemene Bijstand (ABW) in the Netherlands, Social Insertion Income in Portugal, Public Assistance in Japan, and National Basic Livelihood Security (NBLS) in Korea. Yet categorical assistance for specific groups and tied assistance such as housing benefit are also considered where relevant.

### **The characteristics of the Korean welfare system**

The Korean welfare state was laid down by the authoritarian regimes, which began in 1961 and lasted until 1987 (Kwon, 1998; Lee, 1999). Between 1961 and 1996, the Korean economy achieved one of the highest growth rates in the world. This was achieved under the 'developmental state' (Gough, 2001), which placed almost exclusive emphasis on economic development, while making relatively little commitment to develop social welfare system. Like in other East Asian developmental states, such as

Hong Kong, Japan, Singapore and Taiwan, in Korea strong familial traditions and enterprise welfare played an important role in social welfare and public spending on social protection had traditionally been low. Until 1997, this arrangement seemed to be adequate in the context of rapid economic growth with full employment combined with relatively low levels of unemployment and poverty. The 1997 economic crisis, however, has made a profound impact, not only on the Korean economy but also on social development. As the economy recorded negative growth in 1998 from a positive growth rate of five per cent in 1997, the unemployment rate increased dramatically to 8.6 per cent in February 1999 from 2.6 per cent in 1997 (NSO, 2001). Moreover, the poverty rate based on the minimum living standards<sup>1</sup>, which have customarily been accepted as an official poverty line in Korea, jumped to 12.6 per cent in February 1999 from 3.1 per cent in 1996 (Park, 2000). Consequently, the outbreak of the economic crisis triggered reform of the social security system. In order to cope with the sudden rise in unemployment and poverty, four major social insurance schemes, i.e. Employment Insurance, the National Pension scheme, National Health Insurance and accident compensation insurance, have been restructured and expanded with the introduction of the general social assistance scheme NBLIS in 1999. Owing to the reforms executed, total social expenditure as a share of GDP rose sharply from 5.3 per cent in 1996 to 8.7 per cent in 2001. Despite the expansion of expenditure, Korea's spending on social protection remains at the lowest level among the OECD member nations (OECD, 2004a).

Almost half (45 per cent) of total social expenditure in 2001 was devoted to social insurance schemes, while the expenditure of company welfare<sup>2</sup> took up 29 per cent, with social services taking up 14 per cent and social assistance<sup>3</sup> 11 per cent (Kho et al., 2003). Social insurance schemes are largely financed by employer and employee contributions. The government pays only about 20 per cent of the contributions to the pension and health insurance schemes (OECD, 2000) and there is no state subsidy for the accident compensation and unemployment insurance programmes. This welfare mix structure shows the characteristics of the Korean welfare system, largely depending on social insurance schemes and placing the burden on the corporate sector and family,

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<sup>1</sup> They are about 40 per cent of the median income.

<sup>2</sup> Company welfare includes mandatory severance payments for job leavers and retirees, and paid maternity and sick leave.

<sup>3</sup> Social assistance includes NBLIS, Health Benefit, disaster and veterans relief, and facility care services for vagabonds.

with relatively small commitment from the state, though the state has expanded its role both as a provider and regulator since the 1997 economic crisis (Lee, 1999; Kim, 2005). Although the Korean welfare system largely relies on social insurance, a relatively small proportion of the working population are covered by it. For example, only about 20 per cent of the unemployed received unemployment benefits under Employment Insurance in 2004 (HRD, 2005) and the pension scheme introduced in 1988 has not fully matured yet since it does not begin paying regular pensions until 2008.

### **Extent and salience of social assistance**

In this section, Korean social assistance is compared to seven countries. Portugal has not been included due to the lack of comparable data. Table 1 presents the extent and salience of social assistance in each country in 2003. Finland and two English speaking countries, i.e. the UK and Ireland<sup>4</sup> spend relatively high on social assistance (over two per cent of GDP). Those spending relatively low on social assistance (less than one per cent of GDP) are composed of two different sorts: two East Asian countries, i.e. Korea and Japan, which spend relatively low on social protection, and Sweden that has universal benefits. In between are found Germany and the Netherlands, where have comprehensive insurance-based welfare systems and spend relatively high level of expenditure on social protection. In fact, Korea is the country that exhibits both the lowest levels of total social expenditure and social assistance expenditure as a share of GDP.

In Korea, social assistance expenditure as a share of GDP remained stable at only 0.2 per cent between 1985 and 1997 due to the high economic performances with low levels of unemployment and poverty. However, after the 1997 economic crisis it rose sharply up to 0.6 per cent in 2001 as the new general assistance scheme NBLIS was implemented in order to cope with the dramatic upturn in unemployment and poverty.

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<sup>4</sup> In the UK and Ireland, the importance of categorical assistance is larger than general assistance, particularly within the Irish welfare system. In Ireland, total social assistance expenditure as a share of total social expenditure was 16 per cent in 2000, and expenditure on general assistance and categorical assistance as a share of total social assistance expenditure was 14 per cent and 2 per cent respectively. In the UK, spending on social assistance composed 10 per cent of total social expenditure in 2000, and general and categorical assistance consisted of 5 per cent each of total social assistance expenditure (Kuivalainen, 2004).

After 2001 the share of social assistance expenditure in Korea remained stable at 0.5 per cent (MOHW, 2006).

Table 1. Total social expenditure and spending on social assistance, 2003

	Total social expenditure as a percentage of GDP	Social assistance expenditure as a percentage of GDP
Sweden	31.9	0.7
Finland	26.0	2.9
Germany	28.5	1.1
Netherlands	21.4	1.1
United Kingdom	21.4	2.2
Ireland	15.9	2.6
Japan	18.4	0.4
Korea	7.9	0.4

Source: OECD (2007a, 2007b).

Table 2 shows trends in beneficiaries of social assistance as a proportion of the total population in each country since 1990. Comparable data on the number of social assistance recipients are highly problematic (see Eardley et al., 1996: 38; Kuivalainen, 2004: 71, 109). One of the major problems is the difference in the period of estimates. In Finland and Sweden, national statistics on recipients cover the whole calendar year, whereas in the other countries including Korea, estimates are based on a one-time measure. The number of social assistance recipients in Finland and Sweden, thus, seem to be considerably higher. For this reason, the numbers are not wholly comparable and the following comparison represents only a first attempt at making sense of the overall picture.

Looking at the recipient populations in 2000, the UK operated the most extensive social assistance programme. The number of Income Support beneficiaries represented 11.2 per cent of the total British population. The Nordic countries and the Netherlands also stand out. However, as mentioned above, the figures for the two Nordic countries are overestimated to a great extent. Those with the lowest numbers receiving general assistance include Japan and Ireland. They delivered to two per cent and under of their populations. In the case of Ireland, however, the figures would increase considerably if categorical assistance were to be included. In contrast, general assistance in Korea covered about three per cent in the early 2000s.

Table 2. Individual beneficiaries of social assistance as a percentage of total population, 1990-2000

	Sweden	Finland	Germany	Netherlands	UK	Ireland	Japan	Korea
1990	6.0	6.3	2.2	3.8	12.2	1.4	0.8	5.3
1995	7.8	11.4	3.1	3.0	16.7	1.8	N/a	3.9
1996	8.2	11.9	3.3	7.9	11.9	1.9	N/a	3.3
1998	7.5	10.4	3.5	6.5	11.4	1.6	0.8	2.5
2000	5.9	8.8	3.3	6.0	11.2	2.0	0.8	3.0*
Index	98	140	150	158	92	143	100	57

(1990=100)

Note: \*2001

Source: Abe (2002); Eardley et al. (1996); Kuivalainen (2004); MOHW (2006).

Overall country differences in the coverage of social assistance narrowed slightly (one percentage point) during the 1990s. Korea and the UK are the only countries where recorded a substantial decrease in the number of beneficiaries both in absolute and proportionate terms over this period. In the case of the UK, the scale of general assistance expanded during the first part of the 1990s, but from 1996 it diminished due to an institutional change<sup>5</sup>, and there was a rapid decline in the number of recipients of Income Support as a proportion of the total population from 17 to 11 per cent due to falling unemployment. The Korean case is quite opposite to the British case. Unlike the majority of the countries considered, where exhibited an increasing share of the number of recipients during the first part of the 1990s, Korea had a decreasing share until 1998 due to the high economic performances with low levels of unemployment and poverty. One notable thing however is that although there was a marked increase in social assistance expenditure as a share of GDP from 0.3 per cent in 1998 to 0.6 per cent in 2001, there was little expansion in the proportion of beneficiaries over this period (a growth of only 0.5 percentage point). It was partly due to the increase in the number of cash benefit recipients and partly to the increase in the level of the NBLs benefits

<sup>5</sup> Since 1996, unemployed people in the UK are no longer entitled to Income Support but to Income-based Jobseekers' Allowance. As a result of the institutional change, the number of general assistance recipients naturally decreased and that of categorical assistance recipients increased.

provided (Jung, 2007).<sup>6</sup> In fact, the proportion of the population receiving LP/NBLS remained stable at three per cent between 1996 and 2005 (MOHW, 2006).

### **Conditions of eligibility**

In the following two sections, Korea is compared with eight countries: the above seven and Portugal. Korea, Ireland, Portugal and the UK have nationally-set scale rates and there are no regional differences in benefits (Kuivalainen, 2004: 143; MISSOC, 2005). In these countries, social assistance is organised and regulated at the national level.

In a number of the countries considered, social assistance schemes are administered at the local level to a varying degree within national guidelines for benefit rates. In Sweden, Finland, Germany, the Netherlands and Japan, benefit levels are nationally set, but the levels differ between local municipalities. In Finland, two categories are in use according to the municipality classification (MISSOC, 2005: 919). In Japan, the benefit levels vary between six categories of municipalities in relation to living standards (Eardley et al., 1996). In Sweden, the minimum benefit rates are fixed at the national level after a national minimum standard of social assistance was introduced in 1998, but there is still a strong local variation as municipalities continue to finance and administer the scheme (Kuivalainen, 2004: 143). In Germany, standard benefit rates (Regelsätze) are set by the federal state (Länder). The standard rates vary between the individual state, but only marginally. In the Netherlands, municipalities have a discretionary power to determine the additional allowances for people living alone (MISSOC, 2005).

In over half the countries, i.e. Finland, Sweden, the Netherlands, Ireland and Portugal, eligibility for the general social assistance benefit is not strictly limited to nationals, but all persons legally residing in the country are eligible for it. In the UK, from 1994, claimants, who have lived outside the UK during two years before the date of claim, must satisfy the 'habitual residence test' assessing if claimants' 'centre of interests' actually lies in the UK on the basis of previous behaviour and future intention (CPAG, 2004; 692-694). In Germany, nationals, citizens of the signatory countries to the social security agreement (e.g. all EU Member States) are eligible for general assistance. The most restrictive are Korea and Japan, where foreign nationals are not entitled to

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<sup>6</sup> Recipients of cash benefits grew considerably from 372 thousands in 1996 to 1,490 thousands in 2000, while the total number of social assistance beneficiaries did not increase greatly over the period. Moreover, the average replacement rates for social assistance improved to 39 per cent in 2001 from 13 per cent in 1999.

social assistance. In Japan, however, foreigners with permanent or long-term residence (mainly Koreans due to the historical context) can also receive benefit, though they have no entitlement in law (Abe, 2002: 29; Miyadera, 2007). Duration is unlimited in most countries as long as the conditions of eligibility are met and the income of the individual/household is below the minimum income thresholds. The only exception is the Southern European country, Portugal, which imposes time limit on social assistance benefit, though it is extended if fulfilment of the legal conditions is proved.<sup>7</sup>

### **Conditions of entitlement**

The most significant disparities between countries are discovered in the benefit and resource units and resource testing. In most countries of the study, the benefit unit – the actual unit for whom benefit is payable – is the claimant, spouse and dependent children, i.e. the nuclear family. The exceptions are the two East Asian countries where treat the households as the benefit unit. Many countries also treat the nuclear family as the resource unit – that is, whose resources must be taken into account. But several countries require an extended family support. In other words, the income of other people living with the claimant, or in some cases those of separate households are also considered for means test. In Portugal, the means test considers the income position of all relatives underage, including grandchildren, stepchildren and those fostered or adopted (MISSOC, 2005: 920). Germany takes into account the income of parents, adult children and spouses (separated or divorced) (Adema et al., 2003). Korea and Japan can expect people of linear descent and the opposite sex who live elsewhere, and even other siblings to contribute to the income of a claimant, if their income warrants it (Abe, 2002: 30; MOHW: 2007: 5-6).

As stated above, the two East Asian countries have a wider concept of family obligation than most European countries considered here. The reason that Asian systems seem to rely on informal arrangement is due to the living arrangement on which they are based (Scherer, 2003). Familialism is, in fact, one of the underlying principles of Asian social policies. Rapid socio-economic changes in East Asia have, however, resulted in the dramatic demographic transitions, i.e. as changes in fertility rates and old-age dependency ratios, and have weakened the traditional family support. For example, the percentage of the elderly living with one child or as least one married child has been falling in Korea, Japan and Taiwan over the past decades, though it remains high

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<sup>7</sup> Spain, France and Italy also limit the duration of entitlement to assistance benefits (MISSOC, 2005).

compared to European standards (Hermalin, 2000). In Korea, the proportion of the elderly not living with their children increased more than twice to 47 per cent between 1984 and 1998 (OECD, 2000: 123). In Japan, the figure was also 45 per cent in the mid-1990s (Scherer, 2003: 170). These traditional family support obligations in East Asia have, therefore, become less effective as traditional ties have become looser. In this context, the Korea's wider kin obligation has been criticised for not reflecting the weakening family ties (see Jung, 2007; Kim, 2003; OECD, 2000).

A critical feature of social assistance is the nature of the means test. Looking at the treatment of earnings, first are those countries in which a part of earnings are disregarded on a regular basis, such as Germany, Japan and the UK. In Germany, earned income is disregarded up to 50 per cent of the standard benefit rate since 1993 (Behrendt, 2002: 99). The British scheme Income Support allows claimants to retain a weekly income of £5 per individual and £10 per couple, which equals 10 per cent and 12 per cent of the standard rates respectively (Kuivalainen, 2004: 130). In Japan, some earnings can be disregarded based on the income level.<sup>8</sup> Finland, the Netherlands and Portugal constitute a second group. In these countries, some earnings can be disregarded if in doing so the family is more likely to become self-supporting, though there has been wide regional variation in the practice of disregarding earnings (see Kuivalainen, 2004: 130; OECD, 2002). Korea falls into another group with limited disregards. In Korea, earnings disregards are partially applied to social assistance clients (MOHW, 2007). 30 per cent of earnings from training, rehabilitation and public works are disregarded. Students are also allowed to keep 30 per cent of earned income, but no disregard applies to non-students. Sweden and Ireland have the most stringent tests and allow the least amounts of extra earnings to be retained, as in principle all forms of household earnings are taken into account (Gough et al., 1997; Kuivalainen, 2004).

Another important aspect of the means test is the extent to which assets are disregarded. Relatively strict assets tests are found in the Nordic and the East Asian countries, where all capital and assets are taken into account except the family dwellings, personal effects and equipment required for work. In Sweden, even the value of the claimant's car and home is fully taken into account, yet some municipalities may allow them to keep them (Behrendt, 2002: 97). In the same group is Finland, even though a small part of assets can be disregarded. In Korea, owner-occupied homes, cars and land below the specified levels and some amounts of capital are disregarded (MOHW, 2007:

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<sup>8</sup> For example, JPY9000 on the income of JPY19000 and JPY25000 on JPY120000 are allowed to keep, but there is a local variation (Miyadera, 2007).

72-87).<sup>9</sup> Japan and Portugal come into this group since it is reported that assets such as land, houses and farms are all counted, unless the applicant is actually living or utilizing them and they are not luxurious (Abe, 2002: 30; Eardley et al., 1996). In the Netherlands and the UK, there are relatively high disregards on assets.<sup>10</sup> In Germany<sup>11</sup> and Ireland, the amounts of disregarded assets are considerably smaller than the UK and the Netherlands (Adema et al., 2003: 22; Kuivalainen, 2004: 129).

In all countries considered here, able-bodied working age recipients for social assistance benefits are required to seek work using all available means and are offered incentives to work. In the countries, the recipients are usually registered with the employment services and are requested to accept offered job training or work. The UK and Ireland have work hours limit, for which general assistance is only intended for those who are not engaged in full-time work. In the UK, claimants working more than 16 hours per week cannot get Income Support but are covered by Jobseeker's Allowance. In Ireland, claimants in full-time employment (30 hours per week or over) are not eligible for Supplementary Welfare Allowance but are normally entitled to unemployment assistance. In Japan, as for the utilization of the ability to work, persons capable of work cannot normally get general social assistance, neither any unemployment payments (Abe, 2002: 30). In virtually all countries, there are some categories of recipients who are treated as being unavailable for work and are exempted from work-tests – people who are ill or disabled, or older people, and students or people who have to care for dependent children.

Table 3 draws together the main findings of social assistance arrangements with regard to the conditions of eligibility and entitlement. This ranks countries according to their score along the following seven dimensions: nationality and residence, duration,

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<sup>9</sup> In 2004, households living in big cities with a home above 38 million won (approximately £30,450), or those with a car above 2000cc for the disabled and 1500cc for no-business use are excluded from the NBLS entitlement. The amount of disregarded capital is 3 million won (approximately £2,405).

<sup>10</sup> In the Netherlands, savings over €10,210 for couples and lone parents and €5,105 for single persons of capital are taken into account. In the UK, the first £3,000 of capital is ignored and a weekly income is assumed from savings of between £3,000 and £8,000 so a deduction of £1 for every £250 is made (MISSOC, 2005: 621, 921).

<sup>11</sup> The assets ceilings are €1,278 for the claimant, €614 for the spouse and €250 for each child.

administrative and regulatory framework, narrowness of resource unit, generosity of income, assets and work-tests. Variables in the seven columns are weighted equally and combined into a single index. The most exclusionary social assistance schemes are in the two East Asian countries: Korea and Japan, while the UK is closest to the ideal of a social right to social assistance, followed by Ireland and the Netherlands. The Korean scheme NBLs has strict rules with regard to nationality and residence as well as means and work-test, while there is no time limit. It is regulated and organised nationally and there are no regional variations in benefits. The resource unit extends beyond the nuclear family to embrace other household members, requiring a much wider concept of family obligation.

Table 3. Summary table of the conditions of eligibility and entitlement

	Nationality/ Residence	Duration	Regulatory/ Administrative framework	Resource unit	Income testing	Assets testing	Work- test	Index
Sweden	3	2	1	2	1	1	1	11
Finland	3	2	1	2	3	1	1	13
Germany	2	2	1	1	3	2	1	12
Netherlands	3	2	1	2	2	3	1	14
UK	2	2	2	2	3	3	1	15
Ireland	3	2	2	2	1	2	1	13
Portugal	3	1	2	1	3	1	1	12
Japan	1	2	1	1	3 (but discretionary)	1	1	10
Korea	1	2	2	1	2	1	1	10

Notes: Column (1): 1 = nationals only; 3 = all persons residing in the country; 2 = between these two

Column (2): 1 = limited; 2 = unlimited

Column (3): 1 = national/local; 2 = national/national

Column (4): 2 = family; 1 = beyond the nuclear family

Column (5): 1 = applying no disregard; 2 = applying only small disregard; 3 = some parts of earnings are disregarded on a regular basis

Column (6): 1 = taking into account all liquid assets; 2 = applying only small disregard; 3 = some parts of assets are disregarded on a regular basis

Column (7): 1 = yes; 2 = no

### **The level of social assistance**

In order to compare the absolute level of social assistance in Korea with that in the eight countries, the basic social assistance package before and after the impact of housing costs and services are compared, using model family method. The model family method is a relatively easy and exact method to compare the level and structure of tax and benefit packages, controlling for some of the variation that exists. It however has some limitations. One weakness of the model family approach is assumptions. The more assumptions are made about the circumstances of the model families, the more hypothetical they are (Bradshaw and Finch, 2002: 20-21; Kuivalainen, 2004: 74). The selection of family type is also inevitably somewhat arbitrary (Behrendt, 2002; Eardley et al., 1996). For this research, seven model families are chosen: single person aged 35; couple both aged 35 (assumed to be married); lone parent with one child aged 7 at school, no childcare; lone parent with two children aged 7 and 14 at school; couple with one child aged 7 at school, no childcare; couple with two children aged 7 and 14 at school; couple with three children aged 7, 14 and 17 all at school.

Information on eight countries, excluding Korea, is collected from the model family matrix for social assistance case used in Bradshaw and Finch (2002). Data on Korea are collected from the matrix used in Jung (2007), which was completed by the author according to the instructions by Bradshaw and Finch. Assumptions are made about housing costs, local taxes, charges for medical treatment and school costs (see Bradshaw and Finch, 2002 for further detail). Housing costs are one of the most difficult elements to take into account in comparative research and a critical element in the social assistance package in many countries (Bradshaw and Finch, 2002; Eardley et al., 1996; Kuivalainen, 2004). The OECD method of taking rent as 20 per cent of gross average earnings, regardless of actual income levels or employment situation is adopted in this article as the housing assumption. But with the OECD method, we lose variation by family size. Moreover, in most countries considered here, in particular Korea, Japan and the UK, the standard is too high for some of the low-income families included in the analysis (see Bradshaw and Finch, 2002; Jung, 2007).

Table 4 presents absolute values by taking the mean of the amounts in sterling purchasing power parities (PPPs) per month paid to the seven family types and a simple attempt at an overall ranking. Before housing costs and services, the absolute values of the social assistance package in Korea is one of the lowest with Portugal and Germany but very close to that in the UK. Top of the table come Ireland, Japan and Sweden. In between are found the Netherlands and Finland. All the countries considered here include housing-related supplements as part of social assistance schemes. Germany,

Finland, Ireland, the Netherlands, Sweden and the UK operate separate means-tested general housing benefit schemes (OECD, 2004b: 34-36). In these countries, families on social assistance receive some or all of their housing costs paid in addition to social assistance. In Korea, Japan and Portugal, there is no general housing assistance, but there is an element included in the social assistance scales for housing costs. For example, housing benefit in Korea is only available to social assistance clients as a cash benefit and is included in the standard social assistance rates paid. There are remarkable changes in ranking: after housing costs, Japan moves down the ranking, and the UK and Germany improve their positions. Ireland, Sweden and the UK have the highest levels of benefits. Portugal and the East Asian countries occupy the bottom places. In between are found the Netherlands, Finland and Germany.

In Table 4, the costs and benefits of services including school costs/benefits and health costs are also taken into account. In most countries, recipients of social assistance do not pay health costs,<sup>12</sup> and in Portugal there is a small amount of addition to income. However, there are some health charges to be paid for even families on social assistance in Sweden and the Netherlands. There are costs associated with education in Japan, the Netherlands, Ireland and Portugal. Korea, Finland, Sweden and the UK provide school meals subsidies (free school meals) or educational allowances or grants. The impact of these costs and benefits is not as much as housing costs, while the incomes of families dependent on social assistance have changed, and the overall position has not changed considerably, except the Netherlands where falls to sixth place.

In Table 4, the relative level of social assistance is also compared through the calculation of replacement rates. The replacement rate shows what proportion of earnings in employment is replaced by social assistance. It is here estimated by comparing disposable net incomes of households receiving social assistance with net incomes of the same household type where the head is earning average production worker's wage earnings. The calculation is based on a given level of wage earnings so it will probably understate the real replacement rate of a family who is actually receiving or can receive social assistance (Bradshaw and Finch, 2002; Eardley et al., 1996; Gough et al., 1997). Moreover, it is expected that the source of income that would be doing the

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<sup>12</sup> In Korea Class 1 beneficiaries who are unable to work have free access to health services. About half of recipients on social assistance in 2001 were Class 1 beneficiaries. While there are small charges to be paid for Class 2 beneficiaries having ability to work. See Jung (2007: 257) for further detail.

replacing is social assistance benefits, while, in many countries, it would be more likely to be contribution-based unemployment benefits which are in general higher than social assistance (Bradshaw and Finch, 2002: 155). Thus the replacement rate shown here is the minimum notional one. This analysis uses the data from the matrix tables used above. There are no completely satisfactory data on earnings for Korea and the eight countries. The OECD does not provide data on the half average earnings thus the net income of the average production worker produced by the OECD (2003) is used in this analysis. The data on the following three types of families in work and on social assistance before housing costs and services are used: singles without children, married couples with two children and lone parents with two children. Average replacement rates for all the three household types reveal three groups of countries. At the top come Sweden, Japan and the Netherlands. Korea, the UK and Germany have the lowest relative income level of social assistance. In between are found Finland, Portugal and Ireland.

Table 4. Social assistance package. Mean value (£ PPPs per month) and ranking, 2001

	Before housing and services		After housing		After housing and services		Replacement rates (%)		Index
		Rank		Rank		Rank		Rank	
Swe	718	3	531	2	548	2	66	1	41
Fin	544	5	475	5	531	4	46	4	28
Ger	464	8	464	6	464	5	32	9	13
NL	662	4	481	4	412	6	53	3	30
UK	525	6	514	3	539	3	36	8	22
Ire	772	1	661	1	651	1	42	6	35
Por	322	9	171	9	169	9	43	5	13
Jap	752	2	405	7	367	7	54	2	30
Kor	517	7	238	8	275	8	39	7	13

Source: Jung (2007, Table 6.12).

The last column of Table 4 presents a benefit level index. To obtain an index based on the ranking from 1 to 9, an index value of 9 is given to a country having the highest rank and a value of 1 to a country having the lowest rank. Following Kuivalainen's (2004) view, the values of the replacement rates are weighted twice because they are the only measure used in the analysis to assess the relative level of social assistance. It can be seen that compared with other countries the overall level of the social assistance package in Korea is the lowest together with Germany and Portugal, while it is highest

in Sweden, followed by Ireland, Japan and the Netherlands, and the UK comes sixth. It is unexpected result that Finland and Germany have lower benefit levels than might be expected given their economic position and welfare state regimes, representing the Nordic and conservative welfare state regimes respectively. By contrast, Ireland representing the liberal regime comes second in the league table.

### **Locating Korea within social assistance regimes**

Table 5 provides a summary picture of three dimensions identified in this study. The dimensions selected do not include all aspects of social assistance arrangements but they are regarded as the most significant measures for categorising the countries (Gough et al., 1997: 34). The numbers of social assistance recipients as a proportion of national population is not used as a measure of the extent simply because, as already outlined, the figures are not wholly comparable. On the basis of the three dimensions, certain overall pattern can be detected, while it is not simple and depends on which aspects of assistance programmes are regarded as the most salient. Groupings like countries together are attempted to locate Korea within social assistance regimes.

Sweden and Finland form a group. This is consonant with previous studies (Eardley et al., 1996; Gough et al., 1997; Kuivalainen, 2004). In the Scandinavian countries, benefit levels are nationally set, but locally administered with different eligibility criteria and payment levels according to different local law and arrangements. The two Nordic countries have relatively strict means and work tests but generous nationality and residence conditions. Benefit levels are relatively high for both countries. Traditionally, the role of social assistance in this region is marginal but Finish social assistance seems to be extensive in the 2000s.

Previously the Netherlands was grouped together with the continental countries (dual social assistance) or with the Nordic countries. In this study, it is much closer to the Nordic countries. After unemployment assistance was replaced by general assistance in 1996, the role of categorical assistance is much limited than before, instead that of general assistance is considerably larger. Some local variations remain but are constrained within a national regulatory framework. The Netherlands provides relatively high benefit levels and assets-tests are relatively flexible, while the extent of social assistance is at the medium.

The UK and Ireland form a distinctive group. This is in line with the typologies of Eardley et al. (1996) and Gough et al. (1997). In the two countries, social assistance is organised and regulated nationally. These countries have the most generous entitlement conditions, while Ireland has rather stricter means-tests. Benefit levels are relatively low

Table 5. Extent, programme structure and generosity of social assistance

	Social assistance expenditure as a percentage of GDP	Conditions of eligibility and entitlement	Level of benefits
Swe	*	*	***
Fin	***	**	**
Ger	**	**	*
NL	**	***	***
UK	***	***	**
Ire	***	**	***
Por	n/a	**	*
Jap	*	*	***
Kor	*	*	*

Notes: \* SA expenditure as % GDP: <1%, programme structure index: <12, benefit level index: <20

\*\* SA expenditure as % GDP: 1-1.9%, programme structure index: 12-13, benefit level index: 20-29

\*\*\* SA expenditure as % GDP: >2%, programme structure index: 14-15, benefit level index: >30

in both countries, but when housing costs and services are included they produce one of the highest benefit levels in absolute terms among the countries of the study. Social assistance is extensive in both countries.

In the previous studies, the classification of Germany was always problematic and is no exception in this article. In this study, Germany is the closest to the British model. Benefit levels are nationally set and some local discretion remains but only marginally. The extent of social assistance is relatively high and means-tests are lavish but benefit levels are very low. However, the country has a distinguishing feature. Unlike other European countries, but like Portugal, kin obligations extend beyond the nuclear family.

Portugal forms a Southern European model. The country has nationally-set benefit levels and imposes time limit, though the benefits are renewable. It shares with Germany an extended family support. Income-tests are relatively generous but assets-tests appear to be stringent. Benefit levels are around average but when housing costs and services are included the levels are very low in absolute terms.

Japan is put in a different group from the European groups above. The country has a nationally regulated social assistance system with only moderate regional variations. Nationality/residence conditions as well as mean-testing are strict and kin obligations are even wider than Germany and Portugal. The role of social assistance is marginal, while benefit levels are relatively high but when housing and services are included they tend to be much lower.

The Korean model contains elements of both British/Portuguese and Japanese models. On the one hand, Korea shares with British and Portuguese models a single general assistance scheme organised and regulated at the national level with relatively low benefit levels. On the other hand, Korea shares with Japan tough nationality/residence conditions, stringent means-tests and a wider concept of family obligations. The two East Asian countries also spend relatively low on social assistance.

### **Conclusion**

This paper argued that though as a form of social security means-tested social assistance has acquired an increasing importance in the comparative literature on welfare states, relatively little attention has been paid to that in East Asia. This study draws on a cross-national study of social assistance schemes in nine countries, which has attempted to fill some of the gaps in comparative knowledge on social assistance in East Asia. By including both Japan and Korea, this study presents various aspects and characteristics of East Asian and European social assistance regimes. As a result, it is possible to locate Korea within social assistance regimes.

In order to target benefits at the poorest group of the population, Korean social assistance uses a much wider kin obligation, the lack of income and assets disregards and tough nationality/residence rules. This kind of strategy tends to deter many justified claims (Behrendt, 2002: 206). Considering the Korea's low level of spending on social protection, the limited coverage of social insurance and the unemployment benefits, the weakening of family support and enterprise welfare (which have traditionally been important providers of social benefits) in the Korean context, there is a need for more extensive social assistance as a last-resort safety net, both in terms of expenditure and the claimant numbers, with a narrow kin obligation, less strict means and work-tests and more generous benefit levels.

The lack of cross-national comparable data is crucial for comparative research on poverty and social assistance. In particular, there are hardly available data for comparative social assistance research on East and South-east Asia. Social Expenditure Database (SOCX) from the OECD is the only exception. It provides information on social assistance expenditure for Korea and Japan, but does not offer detailed information on general or categorical assistance for each country. Luxembourg Income Study (LIS) datasets provide quantitative data on income for Taiwan but does not offer information on other Asian countries. In fact, a lot of efforts have been put into the harmonisation of official statistics and building-up comparative database on income at the European and OECD level. However, relatively little efforts have been made at the

East and South-east Asian level. The lack of comparable information, both quantitative and qualitative data, on this region is one of the main reasons why the majority of the Asian countries have been excluded from comparative research on poverty and social assistance. This is a huge blot for comparative social research on this area at the international level as well as the Asian level. Future reforms should be made with a view to enhancing cross-national comparability of social research and survey data at both the Asian and international level. The inclusion of the East and South-east Asian countries could contribute to presenting more various aspects and features of social assistance schemes and creating a new typology of social assistance regimes. Moreover, identifying Asian social assistance regimes would be also possible.

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