

Korea Institute for health and Social Affairs

A Study on Poverty Profiling in Korea

World Bank Contract Project

June, 2000



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KIHASA

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I . Introduction¹

Korea has passed through a great economic depression caused by the economic shocks in November 1997. Coupled with the structural innovation, which was promoted voluntarily in order to adapt the economy to the globalization of the world economy, by the government, the panic of the economic depression has created a large number of unemployed and poor households, raising percentages to four to five times the previous amount. The aftermath of this economic instability has had a drastic impact upon every corner of life of Korean society, especially for poor households. Korea faces difficulties in a new era of social matters, such as poverty, the labor market, and family life and structure. The Korean government has taken a number of prompt counter measures in order to overcome difficulties accrued in households which have lost jobs and as a result, become impoverished, investing new and special government budgets in various programs. However, we cannot predict exactly what changes concerning matters of poverty have taken place, how deeply they have exerted impacts upon human life, and how effectively government policy responses to such crucial changes in Korean society. Therefore, a survey of a grand scale was promoted in order to scrutinize changes in poverty profiling, causes of poverty, ways of maintaining basic life, and evaluation of the effectiveness of counter policy-measures. In particular, this report has made an effort to reveal the changes in the poverty structure, drastic trend of the incidence of poverty, changes in the causes of poverty, impact of the economic crisis pre and post-crisis, and the effectiveness of counter policies, especially in National Basic Living Program, which will be implemented in October and the productive welfare concept, which the

¹ This is written briefly by Bark, Soonil

government has focused upon since 1999. We conducted statistical comparisons by analyzing income classes and time series. Econometric estimations with truncated and discrete data are also resorted to elicit more credible and quantified knowledge about poverty matters.

Analysis is heavily dependent on the survey data. The surveys are described in more detail below. However, two chapters should be further studied, especially with panel analysis. One has been analyzed partially and the other has been studied more completely.

The sample gathering was carried out on a nationwide basis. Although the overall survey was primarily household-oriented, members of households were also taken into consideration.

The preliminary survey was conducted during April 1999. The data was gathered, on the basis of 1995 population census, from 15,000 households selected from 125 regions throughout the country. There becomes a total of 12,390 household when weight by region was taken into account. — 4,931 households from metropolitan areas, 3,169 from medium/small-sized cities, and 4,290 from farming and fishing villages. Among the number of total households covered was 12,389, 6,101 households were from metropolises, 3,745 from medium and small cities, and 2,543 from fishing and farming quarters.

The poverty profiling survey was carried out from July 1, 1999 to July 31, 1999. 1,939 of the poorest households (the lowest 20%) out of the total sample of 12,390 were selected initially. However, those whose income were found to rise up to more than 50% of urban worker's average income in the second survey were excluded from the initial selection, thereby leaving 1,753 households. Adding the regional weight lowered the

number to 1,610 households, of which 724, 407 and 479 households were from metropolitan areas, medium/small cities, and farming/fishing villages respectively.

II. The Living State of Poor Households (Kang sung ho & Bark sunil)

1. General Characteristics of Low-income Households¹

The average number of family members per low-income households² with income levels below 50% of average monthly income of urban worker's households was 3.39, according to the survey conducted by the Korea Institute for Health and Social Affairs (KIHASA). The average age of a low-income household heads was 53.35, which is higher than that of non-poor household heads³. Another outcome of this survey is that low income households of one and two members consist of mainly the elderly. The average ages of these members are 67.59 and 61.63 respectively (See Table II -1).

The age and sexual distributions of household heads are as shown in the following table II -2. The survey shows that 23% or 373 households among the whole low-income households were female-headed and that the average age of those female heads was 60.68.

¹ This part is written by Kang, S.H & Bark, Soonil.

² Household equivalent index, calculated on the basis of average income level of four-member urban worker's households in the 2nd quarter of 1999, was applied in classifying households, and low-income households were defined as those with less than 50% of average monthly income of urban workers.

³ The average age of the total household heads, according to the KIHASA-conducted preliminary survey, is 47.41, which is significantly lower than that of low-income household heads.

Table II-1. Average Age of Household Heads, Number of Households, and Component Ratio by Household Scale

Household Scale	Low-Income Household(a)						Total households(b)	
			Absolute Poor		Relative Poor			
	Average Age of Household Heads	Proportion (%)	Average Age of Household Heads	Proportion (%)	Average Age of Household Heads	Proportion (%)	Average Age of Household Heads	Proportion (%)
1 Member	67.59	11.9	71.06	30.7	64.17	7.4	53.32	10.0
2 Members	61.63	16.8	60.90	21.9	61.87	15.9	53.54	15.8
3 Members	53.55	19.2	53.92	20.7	53.45	19.0	46.08	20.3
4 Members	46.47	32.8	47.70	19.4	46.31	35.4	43.64	35.4
5 Members	47.96	12.7	52.63	4.7	47.61	15.0	46.96	12.6
6 or more Members	50.14	6.6	43.26	2.6	50.72	7.3	49.05	5.9
Total	53.35	100.0(1,610)	59.16	100(307)	51.97	100(1,302)	47.41	100.0(12,390)
Average Number of Household members	3.39		2.54		3.59		3.45	

Note: (a) Households whose incomes are lower than 50% of average income of urban workers.

(b) Low-income households are included in the total households.

Source: KIHASA, "Preliminary Survey on the Low-Income Group's Poverty Characteristics and Health/Welfare Wants", 1999

KIHASA, "Survey on the Minimum Cost of Living for Non-Poor Households", 1999.

Table II-2. Ages and Sexes of Household Heads

Classification	Low-Income Households (%)			Total Households (%)		
	Male	Female	Overall	Male	Female	Overall
Below 29 (age)	2.4	1.6	2.2	5.7	10.4	6.4
30-39	21.2	8.3	18.2	30.9	9.2	27.4
40-49	28.2	15.8	25.3	27.7	19.5	26.4
50-59	19.5	15.8	18.6	18.2	19.4	18.4
60-69	16.1	23.9	17.9	12.1	22.9	13.9
Above 70	12.7	34.6	17.8	5.4	18.6	7.5
Total	100.0 (1,238)	100.0 (373)	100.0 (1,611)	100.0 (10,422)	100.0 (1,968)	100.0 (12,390)

Note: Figures in brackets are frequency numbers.

Source: KIHASA, "Preliminary Survey on the Low-Income Group's Poverty Characteristics and Health/Welfare Wants", 1999

KIHASA, "Survey on the Minimum Cost of Living for Non-Poor Households", 1999

The survey also showed that the proportion of disabled heads in the total (1,610) low-income households was 6.9% (this is significantly higher than the national appearance rate of the disabled person of 2.37%, which was estimated by KIHASA in 1995), 30.68% were chronically ill, and 62.42% were neither disabled nor chronically ill.

Table II-3. Disability and Chronic Illness Types of Low-Income Household Head by Household Type

Household Type Disability Type/Chronic Illness of Household head	Single Household	Single-Parent Household	Household Headed by boys and girls	Normal Household	Total
Disabled	13	7	-	91	111(6.90)
Registered, Serious Case	7	1	-	39	47(2.92)
Registered, Mild Case	4	3	-	36	43(2.67)
Unregistered	2	3	-	16	21(1.31)
Chronically Ill	125	19	4	346	494(30.68)
Neither Disabled Nor Chronically Ill	50	47	1	907	1,005(62.42)
Total	188	73	5	1,344	1,610(100.0)

Note: The figures in the brackets are ratios.

Serious case means disability degree of 1,2 or 3.

Mild case means disability degree of 4,5 or 6.

Table II-4. Comparison of Disablement Incidences between Total Households and Low-Income Households

Classification	Total Households		Low-Income Households As of July, 1999
	1995 ¹⁾	1999 ²⁾	
Total Number of the Disabled	2.37(3,335)	2.35(1,101,174)	4.36(239)
The Registered	-	1.47(690,028)	3.28(180)
The Unregistered	-	0.88(411,146)	1.08(59)

Note: 1) Based on a survey on the actual condition of the disabled conducted by KIHASA in 1995. The figures in the brackets are frequency numbers.

2) Numbers of the registered/unregistered disabled estimated by the Ministry of Health and Welfare (as of August 1999) divided by the total population. The figures in the brackets are nationwide-based estimates.

Source: KIHASA, "A National Survey on the Disabled", 1995.

2. Income and Expenditure Characteristics

The survey found that the average monthly income, average monthly expenditure, and minimum average monthly cost of living required to sustain minimum livelihood were 430,300 won, 568,800 won, and 642,000 won respectively for the low income households. It implies that low-income households are living on the average under the minimum monthly expenditure level to sustain the minimum standard of living. In other

words, the average monthly income and expenditure of low-income households were lower than the minimum monthly expenditure needed to maintain the minimum standard of living.

Table II-5. Average Monthly Income, Expenditure, and Minimum Expenditure by Household Type

Household Type Amount	Single Household			Single-Parent Household			Regular Household			Overall		
	MI	ME	ME++	MI	ME	MME	MI	ME	MME	MI	ME	MME
Average (1,000 won)	3.19	7.95	5.26	6.21	4.63	6.68	7.69	3.24	0.26	43.03	56.88	64.20
Below 100,000 won	42.6	30.1	20.1	15.5	8.9	-	14.5	2.8	1.8	17.8	6.3	4.0
110,000 ~ 300,000 won	53.7	62.4	61.9	29.3	28.6	20.0	22.6	20.4	15.2	26.9	25.9	20.9
310,000 ~ 500,000 won	3.7	6.5	13.2	34.5	30.4	35.0	26.2	26.9	25.7	23.8	24.8	24.7
510,000 ~ 700,000 won	-	1.1	4.8	17.2	17.9	21.7	17.5	18.1	18.5	15.3	15.9	17.1
710,000 won or More	-	-	-	3.4	14.3	23.3	19.3	31.7	38.8	16.2	27.1	33.3
Total	100.0 (188)	100.0 (186)	100.0 (189)	100.0 (58)	100.0 (56)	100.0 (60)	100.0 (1,292)	100.0 (1,263)	100.0 (1,299)	100.0 (1,545)	100.0 (1,511)	100.0 (1,554)

Note: MI-monthly income; ME-monthly expenditure; MME-minimum monthly expenditure

Monthly minimum income estimates are based on subjective responses.

Figures in the brackets are frequency numbers.

The expenditure exceeding income brings a question regarding maintenance of livelihood. The survey indicates 27.0% of the total households maintain their livelihood by income earned by family members, 13.8% were being supported by relatives and 12.9% were those who maintain their livelihood by getting into debt.

Table II-6. Livelihood Maintenance Methods of Low-Income Households

Livelihood Maintenance Source	Total	Earned Income	Support by Relatives	Savings	Debt	Others
Proportion (%)	100(1,593)	27.0	13.8	13.1	12.9	33.2

The survey found that low-income households spend 20,020 won, or 34.43% of their total monthly expenditure on groceries and 24.05% on education. It was one of the general tendency for the low-income class that the burden of paying various kinds of taxes was felt more severely than other items of expense, and expenses for education, rents, and groceries also constituted also heavy burdens.

Table II-7. Items of Expense for Low-Income Households

Items of Expense	Average Monthly Expenses		Sense of Burden (%)				Average Amount of Minimum Monthly Expenditure (won)
	Expenditure (won)	Proportion (%)	Very Heavy	Heavy	Not So Heavy	No Burden At All	
Groceries	20,020	34.43	31.2	38.6	27.3	2.9	21,800
Rent	8,790	15.12	33.3	30.9	12.4	23.4	8,300
Education	13,980	24.05	32.3	25.9	13.5	28.2	14,000
Medical	4,390	7.55	24.9	21.5	22.7	30.9	4,700
Taxes	7,740	13.31	37.8	42.9	17.3	2.0	6,800
Congratulations/Con- dolences	3,220	5.54	18.9	21.1	14.5	45.5	3,000

57.6% of the total low-income households were running into debts, and the average amount of debt was estimated to be 15 million won. 54.4% of those running into debts were more than 10 million won under the redline.

The main causes of debts were living expenses (23.5%), housing funds (21.1%), business funds (18.1%) and farming funds (11.9%). 59.5% of the low-income households were getting loans from banks, 15.6% from relatives and 10.1% from neighbors (10.1%). According to survey on solvency, 28.7% answered that they are able to repay their debt within the term of redemption, while 45.4% answered "unable to repay within the term" and 28.7%, "undeterminable", which shows a very low rate of solvency among low-income households. The average savings of lower income

household was estimated to be 1.49 million won on the average, and 72.2% of the total low-income households responded that they have no savings at all. 22.2% responded that they save money chiefly in order to cope with unknown accidents that might take place in the future, 22.1% for their children's educational expenses, and 22.0% for their old age lives. Additionally, One finds that those who belong to low-income classes aspire to receive government assistance in the preference order of expenses for groceries, health care, and educational expenses which is consistent with their real order of expenditures.

The survey also found that most low-income households have durable goods such as color TV's, gas ranges, refrigerators, electric rice cookers, and washing machines.

Table II-8. Government Assistance for Poverty Reduction preferred by low income class

Necessary Assistance	Frequency1	Proportion (%)	Necessary Assistance	Frequency1	Proportion (%)
Groceries	760	26.1	Medical	665	22.8
Housing Maintenance	469	16.1	Job Training	92	3.2
Rent	212	7.3	Others	103	3.5
Education	609	20.9	Overall	2,909	100.0

3. Actual Conditions of Housing

Low-income households live more in the order of apartments, Korean-style houses, Western-style houses and row houses. 63.5% of the total low-income households covered by the survey were in dilapidated dwellings (10 years or older) or buildings. About 50% of the total low-income households were owner-occupied, 18.9% *chunse(chartered house)*, 13.7% monthly rent and 12.7% permanent rent public apartment and since the rate of home-ownership in farming and fishing areas is

estimated as 77.9%, it can be assumed that most of owner-occupied households are concentrated in those areas.

Data from the Korea Research Institute for Human Settlements (KRIHS) is used to draw a comparison between actual housing conditions of low-income households and those of the whole households. The result of the comparison is that the rates of owner occupancy and *chunse* were higher among the total households while low-income households tended to rely more on the monthly rent, free or company housing.

Another noticeable outcome was that the average number of persons per household and the average number of rooms per household in the low-income group were lower than those of the average number of total households, while the average number of persons per room was higher in the low-income household group.

Table II-9. Housing status by Dwelling Type (1999)

Tenure Type Classification	Total (%)	Owner-Occupied (%)	Chunse (%)	Monthly Rent (%)	Others
Low-Income Household	100.0	50.0	18.9	9.7(4.0)	17.3
•Average Number of Persons Per Household	3.4	3.5	3.6	3.4	-
•Average Floor Area Per Person	-	-	-	-	-
•Average Number of Rooms Per Household	2.3	2.5	2.3	1.9	-
•Average Number of Persons Per Room	1.6	1.5	1.7	1.9	-
Total Households	100.0	53.8	25.4	8.5	12.3
•Average Number of Persons Per Household	3.9	4.1	3.7	3.5	-
•Average Floor Area Per Person	5.5	6.2	5.0	3.8	-
•Average Number of Rooms Per Household	3.3	3.7	3.0	2.1	-
•Average Number of Persons Per Household	1.3	1.2	1.4	1.9	-

Note: 'Others' includes permanent rental and company housings.

The survey found that the average number of rooms per low-income household is 2.3. 53.0% of the total low-income households were living dwellings with two rooms, while the ratio of households with three or more rooms to the total low-income group was 34.5%. The average number of used rooms of the total households was 3.3, which is higher by one than that of low-income group. It is also to be noted that 82.2% of the total households had three or more rooms while only 34.5% of the low-income households were in these conditions.

Table II-10. The average Number of Rooms Per Household by Region (1999)

Classification	Low-Income Households1)				Total Households2)
	FF	MS	MA	NW	NW
One Room	17.2	11.4	10.0	12.5	4.7
Two Rooms	43.8	44.8	63.6	53.0	13.1
Three or More Rooms	39.0	43.8	26.4	34.5	82.2
Average Number of Rooms	2.3	2.4	2.2	2.3	3.3
Average Number of Persons Per Room	1.4	1.5	1.6	1.6	1.3

Note: 1) From the survey conducted by KIHASA in July, 1999

2) Korea Research Institute for Human Settlements, "99 Survey on Housing Status", 1999.

Table II-11 shows the actual conditions of interior facilities of low-income households. Most of the low-income households were equipped with private kitchens (96.20%), water supply facilities (90.88%), toilets (85.88%), and bath tubs/washbowls (69.91%). 88.10% of these kitchens were equipped with stand-up sinks, and 66.67% of toilets were in good condition. The most popular form of heating was the oil-fired boiler, followed by gas boiler, and briquette boiler was last.

Table II -11. Interior Facilities of Low-Income Households

Private Kitchen	Proportion	Kitchen Type	Proportion	Waterworks	Proportion
Yes	96.20	Stand-Up(Sink)	88.10	Private	90.88
No	3.80	Outdated Type	11.38	Share with Other Household(s)	8.09
Total	100.00 (1,607)	Others	0.52	Communal Well	1.03
		Total	100.00 (1,545)	Total	100.00 (1,605)
Private Toilet	Proportion	Toilet Type	Proportion	Toilet Condition	Proportion
Yes	85.88	Squat-down Flushing	26.24	Good	66.67
Share with Other household(s)	10.95	Pit Latrine	32.60	Poor	20.24
Communal Toilet	3.17	Modern	41.17	Very Poor	13.08
Total	100.00(1,607)	Total	100.00 (1,607)	Total	100.00 (1,606)
Private Bath Tub/Washbowl	Proportion	Type of Heating	Proportion	Type of Cooking Fuel	Proportion
Yes	69.91	Gas Boiler	29.66	LNG	32.18
No	27.24	Oil Boiler	59.42	LPG	64.76
Share with Other Household(s)	2.84	Briquette Boiler	5.24	Briquette	0.81
Total	100.00 (1,607)	Briquette Hole	1.29	Electric/Oil Cooking Stove	1.41
		Firewood Hole	2.63	Others	0.84
		Electric Heating Blanket	0.66	Total	100.00 (1,600)
		Others	1.09		
		Total	100.00 (1,590)		

The following table depicts the environmental conditions of low-income households. 54.8% of low-income households resided in ordinary residential areas and 22.2% were located in insecure or accident-prone areas. 1.8% of low-income households were located in factory-adjointed areas and 6.3% in commercial quarters.

The ratio of regular residential-area-located households to the total low-income households was highest in fishing and farming villages, followed by medium and small-sized cities, and finally metropolitan areas. On the other hand, medium and small-sized cities showed the highest ratio of low-income households in poverty-stricken areas, commercial quarters, factory-adjacent areas, and other areas vulnerable to risks of

submergence and embankment collapse.

Table II-12. Environmental Conditions of Low-Income Households

(unit: %)

Classification	Total	Regular Residential Areas	Poverty-Stricken Areas	Stench/Noise-Stricken Areas	Factory-Adjacent Areas	Commercial Quarters	Areas with Poorly Ventilating & Scarce light	Permanent Rental Housings	Areas with Risks of Submergence and Embankment Collapse
Nationwide	100.0	54.8	5.8	9.7	1.8	6.3	6.6	9.2	5.8
Metropoleis	100.0	52.0	6.3	10.0	1.8	3.5	7.4	14.3	4.7
Medium and small cities	100.0	50.9	7.3	9.0	2.2	10.6	7.2	5.4	7.3
Fishing and Farming Villages	100.0	63.3	3.4	9.7	1.6	7.2	4.6	3.9	6.3

45.4% of low-income households answered "yes" when they were asked if they are content with the environmental conditions of their dwellings, while 18.7% said "no." Reasons for their discontent were cultural poverty, the poor-quality education, low profit levels of farming and fishing, and socially low appraisal

Major proportion of low-income household members felt that public and private facilities such as libraries, gyms/playgrounds, community centers and department stores are too far away to be accessible. Most of them, however, answered that hospitals and drugstores are easily accessible and that they felt moderate sense of convenience regarding public/private services.

They also found that while most of low-income group were more or less contented about public transportation, road condition, waste disposal, waterworks, the distance between home and workplace, security, relationship with neighbors, they were not satisfied with educational condition and environmental condition.

24.2% of the low-income group said that they think expansion of state-supported permanent rental housing the most urgent among government projects, 17.4% low-interest loans for chunse deposit, 16.5% loans for housing repairs, and 12.1% for environment development.

4. Actual Condition of Education

The proportion of high school graduates among the heads of low-income household was 28.34%, 20.24% were unschooled and 24.76% were primary school graduates. 62% of the total low-income household heads were either unschooled or primary/junior high school graduates. This outcome indicates that income level of households is correlative to the educational level of household heads³.

Another significant outcome is that the low-income household group showed a higher proportion of those with or under educational level of junior high school, while the total household showed a higher proportion of those with or above the educational level of high school.

Table II -13. Educational Level of Household Heads

Classification	Total Households(1998)1)	Low-Income Households(1999)
Unschool	7.92	20.24
Primary School	15.22	24.76
Junior High School	14.02	17.25
High School	37.03	28.34
Junior College and More	25.81	9.41

Note: 1) "1998 Survey on National Health Status"

53.8% of the low-income households said that their children travel about 2km to go to school, while those with children who travel more than 4km constituted 32.2%. 53.1% of low-income household children were attending schools on foot and 40.7% by bus.

The survey found that most of low-income household children were well adapted (93.4%) at schools and liked their teachers. However, 10% of the total low-income

³ When analyzed, correlation between educational levels of household heads and income levels of households shows correlation coefficient of 0.243, which means there is a positive correlation between the two variables.

household children said that they disliked their teachers for various reasons.

The main reasons for disliking their teachers are biased favor to some other student, not satisfied with the curriculum, and physical beating without good reasons. Some parents of lower income households collected tuition fee and other schooling expenses by borrowing from relatives or neighbors(13.5%) and bank loans(6.3%), even though 65.5% of them paid with their own income

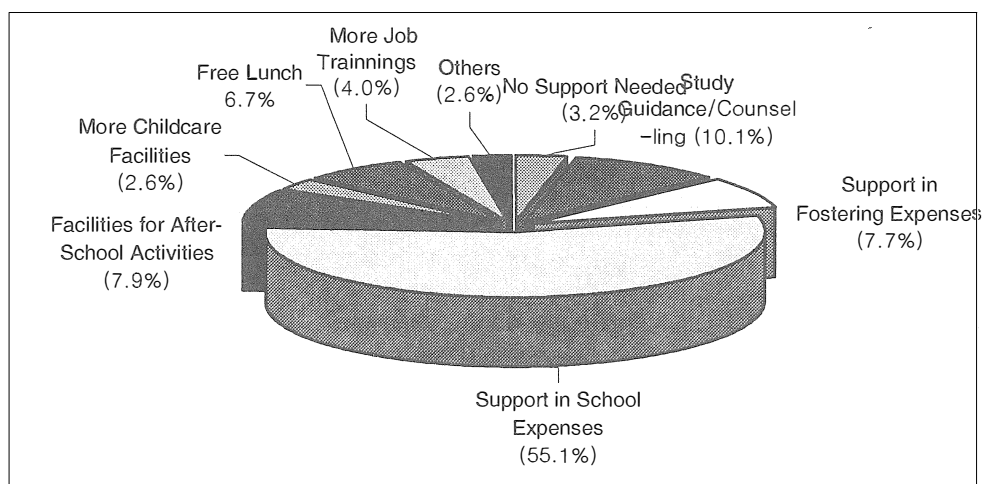
School expenses for children were provided by monthly income (65.6%), loans from relatives or neighbors (13.5%) or loans from financial institutions (6.3%).

According to the survey, 43.6% of the low-income household heads wanted to support their sons (35.9% for daughters) to finish 4-year college education, while 24.7% said that they would provide educational support until their sons (22.6% for daughters) received high school diploma.

87.9% of children answered that they are always provided with lunch. However, 9.5% miss lunch once or twice a week, and 2.6% miss lunch more than three times a week.

47.2% of the low-income household heads responded that there needs to be more libraries/study rooms for their children. Cultural facilities (24.2%), technical training programs (7.5%), counseling facilities/community halls (6.9%) were also among the list of needs. Regarding government-sponsored educational support, 55.1% responded that they need support for school expenses. Proportions of those who wanted study guidance/counseling, facilities for after-school activities and support in fostering expenses were 10.1%, 7.9% and 7.7% respectively.

Figure II-1. Education support policy of government



5. Actual Condition of Health Care and Medical Service

The major issue concerning medical security schemes among the low-income households is the civil servant's/teacher's medical insurance especially, regional medical insurance which is merged to the form. It covers 62.92% of the low-income group, followed by the Medical Protection (21.42%). 13.48% were being covered by the employee's medical insurance, while 2.18% had no insurance at all. A Noticeable change in the social medical insurance organization is the integration of all separated social medical insurance programs launched on July 1 of this year.

Shown in Table II-14 is a comparison between low-income households and the total households in terms of medical protection type.

Table II-14. Types of Medical Protection

Type of Medical Security	Total Households(1998) ¹⁾	Low-Income Households(1999)
Employee's Medical Insurance	33.40	13.48
Regional Medical Insurance	53.75	62.92
Civil Servants/Teachers Medical Insurance	9.03	
Medical Protection Insurance	2.47	21.42
No Insurance	1.34	2.18

Note: 1) "1998 Survey on National Health Status"

The proportion of those who had been ill in the low-income group in July 1999 during last one month was 61.5%, of which 29.3% went to hospitals or medical practitioner's offices for medical treatment, and 25.2% used drugstores.

Drugstores were the most popular type of medical facilities among the low-income households, which is incomparably higher than total households. 34.9% answered that they use drugstores because they are cheap. Most of the medical facilities users were by and large content with their medical facilities, while some pointed out unfriendliness, incompetence and too much waiting associated with medical treatments.

Table II-15. Types of Medical Facilities

Total Households(1998) ¹⁾		Low-Income Households(1999)	
Medical Facilities	Proportion	Medical Facilities	Proportion
Hospitals and Private Medical Practitioners	21.80	Hospitals	20.0
		Medical Practitioners	9.3
Herb Doctors and Acupuncturists	1.62	Herb Doctors and Acupuncturists	0.9
Clinic	1.68	Clinics	5.7
Drugstores	6.85	Drugstores	25.2
None	67.93	None	38.5
Others	0.12	Others	0.4

Note: 1) from "1998 Survey on National Health Status".

The average monthly medical expense was 78,360 won, and it turned that each

household wanted an extra 140,000 won for medical expenses. 86.5% of the total households said that they needed more money in order to get appropriate medical treatment⁴ because they must support chronically diseased family members and also have to pay high-cost treatments.

Table II-16 displays the average monthly medical expenses of households with chronically ill member(s). 45% of the low-income households covered by the survey have had one or more chronically ill family members, which is far higher proportion, 20.2%, of total household.

The average monthly medical expense of households with no chronically ill members is 39,060 won, and households with one chronically ill member, on the average, spend 123,020 won. Households with two and three chronically ill members are found to spend average monthly medical expenses of 132,910 won and 180,140 won respectively. This outcome appears to indicate that the amount of medical expenses depend largely on whether or not there are chronically ill family members in the household.

Table II-16. Average Monthly Medical Expenses and Number of Chronically Ill Members Per Household

Number of The Chronically-III	Total Households	Low-Income Households	Average Monthly Medical Expenses
0	79.8	55.0	39,060
1	16.4	34.2	123,020
2	3.5	9.8	132,910
3	0.3	0.9	180,140
4	-	0.1	-
Total	100.0(12,390)	100.0(1,610)	78,360
Average Number of the Chronically Ill Per Household	0.24	0.57	-

Note: Figures in the brackets are frequency numbers.

The proportion of households with members who had been hospitalized during last three months from April 1999 to June 1999 in the low-income household group was 9%. The

⁴ The result shows that the households in need of more than 1,000,000 won for medical expenses constituted 5% of the total respondent group. Some of the households responded that they needed more

proportion of those with members who received regular outpatient treatments during the same period was 54.1%. When the household-based figures are converted into an individual basis, the ratios become 2.7% and 16.0% respectively⁵.

22% of the low-income households include those who had experience of being unable to have or of giving up professional help when needed. 88.3% answered that financial difficulty was the main cause of their inability to receive professional medical treatment.

57.9% of the low-income household group said that they wanted the government to reduce their burden of paying medical fees, and 32.7% responded that they would be in need of government support in paying high-cost treatment.

6. Economic Activities

The average number of workers among the low-income households was 0.91, and the proportion of households with no workers in the family was 34.8% (See Table II-16). It was also shown that among one and two member households, which consist largely of the elderly, 82.7% and 52.3%, respectively, were those with no working members. This indicates unemployment to be one of the main causes of poverty.

than 20 million won for the chronically ill among the family.

⁵ The proportion of households with members who had received medical treatments is the percentage of households with at least one member who has been hospitalized or received regular outpatient treatment. The proportion of individuals who had received hospital treatments during the last three-month period is equivalent to the proportion of medically treated households divided by average number of household members.

Table II-17. Number of Workers in a Low-Income Household by Household Scale

Household Scale Number of Workers	One-Member Household	Two-Member Household	Three-Member Household	Four-Member Household	Five-Member Household	Six or More Member Household	Total
0	82.7	52.3	36.9	17.3	20.3	13.0	34.8
1	17.3	33.0	44.7	55.1	47.1	40.7	42.9
2	-	14.7	15.0	24.6	28.3	31.3	19.0
3	-	-	3.4	2.1	3.6	12.9	2.7
4	-	-	-	0.9	0.0	0.5	0.3
5	-	-	-	-	0.7	1.1	0.2
6	-	-	-	-	-	0.0	0.0
7	-	-	-	-	-	0.6	0.1
Total	100.0 (191)	100.0 (270)	100.0 (309)	100.0 (527)	100.0 (206)	100.0 (108)	100.0 (1,610)
Average Number of Workers	0.17	0.63	0.85	1.14	1.18	1.53	0.91

Note: figures in the brackets are frequency numbers

The survey shows that the self-employed constitute the largest proportion of household heads in the low-income household group. The second largest category is the manual laborers. Meanwhile, the total households showed higher proportions of technicians, manual laborers, salesclerks, clerical workers, professionals, administrative managers, farmers and fishermen (See Table II-18), when compared with the data resulting from "The 1998 Survey on National Health Status (2000)"⁶.

⁶ A national survey on 13,419 households, conducted by KIHASA in 1999.

Table II-18. Occupational Classification of Household Heads

Low-Income Households ¹⁾		Total Households ²⁾	
Classification	Proportion	Classification	Proportion
Civil Servants	0.1	Administrative Managers	10.27
Professionals	0.8		
Technicians	3.7		
-	-	Military Personnel	0.08
Clerical Workers	1.3	Clerical Workers	12.43
Production Laborers	1.9	-	-
Salesclerks	4.4	Salesclerks	18.25
Manual Laborers	16.4	Manual Laborers	27.18
Private School Teachers	-	-	-
Self-Employed	24.4	Farmers/Fishermen	10.55
Students	0.2	Students	1.34
Non-Working Housewives	3.4	Others (Housewives/Unemployed)	19.89
Others	43.4		
Total	100.0(1,608)	Total	100.0(13,418)

Note: 1) from the survey conducted by KIHASA in July, 1999

2) "1998 Survey on National Health Status"

Numbers in the brackets are frequency numbers.

The survey found that those who are in the farming/fishery/forestry sector constitute the largest occupational proportion in the low-income households. Construction and production are placed 2nd and 3rd respectively.

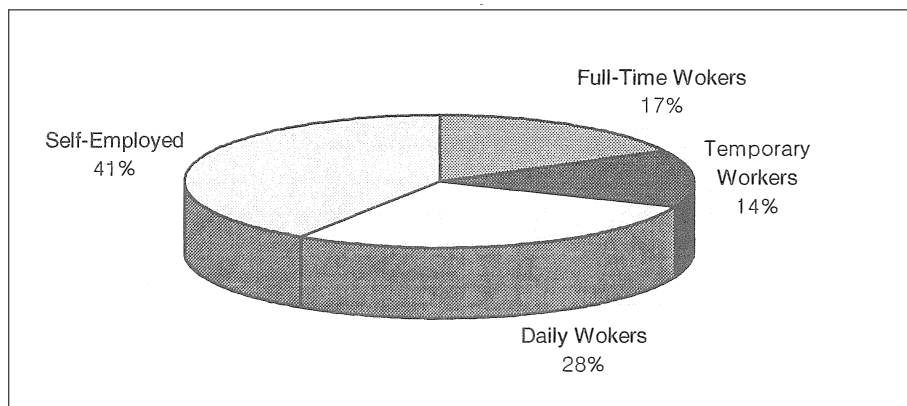
Table II-19. Occupational Types of Low-Income Households

Occupational Type	Proportion	Occupational Type	Proportion
Farmers/Forestry Workers/Fishermen/Fishery	25.40	Lodging House/Restaurant Owners and Managers	6.49
Miners	0.05	Transportation/Warehousing/Communications Service Workers	4.09
Manufacturers	9.49	Business Canvassers	0.98
Electricians	1.01	Realty Dealers	1.12
Gas/Waterworks Technicians	0.77	Education-Related Workers	0.54
Construction Workers	12.18	Healthcare Service Workers/Social Workers	1.18
Salesclerks/Repairmen	8.90	Others	27.80
Total : 100.0(1031)			

Employment status of low-income household heads is shown in Figure 2. There is only 17%

full time workers which is far lower than unstable workers, 42%.

Figure II-2. Employment Status of Low-Income Household Heads



The average monthly income of low-income household heads is about 520,000 won. 3.1% of the total household are engaged in jobs on the side. The average monthly income coming from the sidelines is estimated to be 19,920 won.

58.5% of low-income household members responded that they are taking their present jobs because there are no alternatives. 17% of the same group answered that their present jobs are temporary. On the other hand, 6.7% answered that they like their present jobs as means of self-development, while 3.3% answered that they like their jobs because they are stable.

According to a national survey of social statistics conducted by the National Statistical Office, the most important factors among the total household members in choosing jobs were stability and possibilities. This is one of most significant differences between the low-income household and the total household.

Table II-20. Reasons for accepting one's Present Job

Low-income Households		Total households	
Preferential Factors	Proportion	Preferential Factors	Proportion
High Wages/Income	2.2	High Wage/Income	18.2
Vision	0.6	Possibilities	20.7
Self-Development	6.7		
Qualities and Characteristics of Job	7.9	Self-Achievement	16.2
Stability	3.3	Stability	41.5
Degree of Social Acceptance	-	Reputation/Distinction	2.1
No Alternative	58.5	-	-
Only Temporary	17.0	-	-
Others	3.9	Others	1.3
Total	100.0	Total	100.0

Note: figures in the brackets are frequency numbers

The proportion of employed members in low-income household group who are in search of new jobs is estimated to be 47.9%, of which 67.4% responded that they are seeking higher wages.

50.8% of households that have experienced job shifting explained that the main reasons of their change of occupation was lay-offs after 1997 crisis (50.8%), personal reasons (18.2%) and low wages/profits (13.1%).

Table II-21. Reasons for Change of Occupation

Reasons	Proportion	Reasons	Proportion
Low Wages/Profits	13.1	Discharged	50.8
Not Likable	0.6	Personal Reasons	18.2
Unable to be Adapted to the	-	No Vision	3.1
Unfitting Working Condition	1.9	Others	12.3
Total	100.0(193)		

Note: The figure in the bracket is a frequency number.

III. The social and cultural characteristics(Park neung hoo)

1. Subjective Appraisals on Poverty

A little less than half of the respondents(48.5%) recognized that their living standard is average(6.6%) or under the average level(41.9%). And the other half of them(51.5%) recognized that they live under the poverty line. Through consideration of the real income level of the respondents, which is in the lower 40 percentile, we realize the realities of the living standard (reference to table III-1).

Table III-1. Personal evaluation of the living level

(unit: person, %)		
Classification	Frequency	Proportion
Medium	106	6.6
Under medium	671	41.9
Under poverty line	825	51.5
Total	1,602	100.0

Note: except the cases of no answer

Of the respondents who recognized that they are poor(total cases 818), 18.5% answered that they have been poor since childhood and 36.5% answered that they have been poor for 10 years(20.3%) or their childhood(16.5%). Thus we may conclude that about 55.3% are from a long-term poor family(over 10 years). After the '97 economic crisis, according to respondents surveyed, 11.8% of the people became poor during the IMF crisis, which allows us to conclude that the poor were directly affected by the economic crisis.

Table III-2. The time of being the poverty

(unit: person, %)

Classification	Frequency	Proportion
From childhood of parents	152	18.5
From his childhood	135	16.5
From 10 years ago	166	20.3
From 5 to 10 years ago	77	9.5
From 3 to 5 years ago	97	11.8
From 1 to 3 years ago	95	11.6
After '97 economic crisis	96	11.8
Total	818	100.0

Note: except the cases of no answer

Respondents answers concerning the reason of poverty are as follows: disease, disability, aging(29.9%), shortage of education or skill(17.3%), his(or spouse) failure in business(13.5%)(reference to table III-3).

Table III-3. The reason of poverty

(unit: person, %)

Classification	Frequency	Proportion
disease, disability, aging, incident	233	29.9
Shortage of education or skill	135	17.3
his(or spouse) failure in business	105	13.5
Unemployment	82	10.5
Shortage of job	49	6.3
Debt	38	4.8
Parent's failure in business	44	5.6
Laziness	7	0.8
Other	86	11.1
Total	779	100.0

Note: except the cases of no answer

Answers concerning the universal cause of poverty are as follows: individual inability(26.2%), individual neglect(12.1%), parents' poverty(11.4%), social fault(29.1%)(reference to table III-4).

Table III-4. The reason being the poor in society

(unit: person, %)

Classification	Frequency	Proportion
Social fault	465	29.1
Individual inability	420	26.2
Ignorance	337	21.1
Neglect	194	12.1
Parents' poverty	183	11.5
Total	1,599	100.0

Note: except the cases of no answer

About inheritance of parents' poverty, 30.2% answered parents' poverty will succeed to their children' but 59.7% rejected the possibility of succession to their children. 62.6% answered that the 'economic crisis has worsened the economic inequality', 15.5% answered 'economic crisis has had no impact on economic inequality', 3.9% answered 'economic inequality improved after economic crisis' and 18.0% didn't answer.

On answers concerning the degradation of the economic inequality and its impact, 29.3% answered 'it's a threat to society', 27.0% answered 'it's improvable', 17.4% answered 'it became a little worse', 6.0% answered 'there is no difference', and 20.3% didn't answer.

And about the prospect after 3 years, 7.0% answered 'it will become much worse', 9.8% answered 'it has already become worse', 19.6% answered 'it will stay the same', 39.5% answered it will improve, 1.8% answered 'it will improve', and 22.2% didn't answer. As a result we may conclude that most of the respondents have a positive viewpoint of the future.

2. The Characteristics of the Region where These Poor People Live

Table □-5 focuses upon the concerns of the residential environment where the poor reside. Nationally, 87.3% of poor households reside in general residential districts (including Apartments), noisy residential districts, nasty smelling districts are 15.4%, residential districts

with bad ventilation and low exposure to sunshine are 10.5%, commercial districts are 10.1%, danger district such as flood areas and districts on the verge of collapse are 9.3%.

Locally, the rate of concerns of poor residents in rural districts is higher than that in urban districts. Compared with the poor in rural districts, over two times, the poor of urban districts reside in slum areas, the residential districts have bad ventilation and are not exposed to sunshine, (permanent) rental housing.

Table □-5. Residential environment of the poor

(unit: %)

Classification	General residential district (including Apartment)	Residential district of the poor	bad residential district such as nosy district, nasty smell district	District adjacent to factory	Commercial district	residential district with bad ventilation and bad sunshine	(permanent) rental housing	danger district such as flooded area and district on the verge of collapse
Whole	87.3	9.2	15.4	2.9	10.1	10.5	14.6	9.3
Urban	85.0	10.9	15.9	3.2	9.9	12.1	18.4	9.3
Rural	92.6	5.1	14.2	2.4	10.6	6.7	5.7	9.3

Note: except the cases of no answer

Table III-6 shows whether the poor are satisfied with their residential environment. Generally speaking, the poor are satisfied with their residence on the grounds of satisfaction analysis on 9 items surveyed. This proves that the poor generally like their residential environment.

Nationally, the dissatisfaction rate does not exceed 20% except concerning issues such as popular transportation, education environment, distance of office, and pleasantness of residence. Locally, the poor in rural regions are relatively dissatisfied with the state of popular transportation, education environment, and the poor in rural region are also relatively dissatisfied with the pleasantness of residence and state of public peace.

Table III-6. The degree of satisfaction concerning the residential environment of poor households

(unit: %)

Classification		Very satisfaction	Satisfaction	common	Dissatisfaction	Very dissatisfaction	Total
popular transportation	Whole	7.2	34.8	29.2	19.7	9.0	100
	Urban	8.5	39.3	30.2	15.1	6.9	100
	Rural	4.1	24.2	26.8	30.8	14.1	100
State of street or road	Whole	4.7	40.1	36.3	16.2	2.6	100
	Urban	4.2	42.7	35.5	15.5	2.1	100
	Rural	6.0	34.0	38.3	18.0	3.7	100
refuse disposal	Whole	6.0	42.3	33.4	14.5	3.7	100
	Urban	5.6	45.0	31.0	14.8	3.6	100
	Rural	6.9	35.7	39.3	13.9	4.2	100
water and sewage	Whole	8.4	49.6	30.7	9.3	2.1	100
	Urban	6.8	51.4	30.1	9.7	2.0	100
	Rural	12.0	45.2	32.1	8.4	2.3	100
Education environment	Whole	1.8	23.3	45.7	23.1	6.1	100
	Urban	1.9	26.5	47.5	19.8	4.3	100
	Rural	1.5	15.4	41.4	31.3	10.5	100
Distance of office	Whole	5.0	20.4	54.4	16.3	4.0	100
	Urban	3.7	21.8	55.7	15.6	3.2	100
	Rural	8.1	17.0	51.0	18.0	5.9	100
Pleasantness of residence	Whole	5.0	34.7	35.7	19.9	4.8	100
	Urban	2.2	32.3	36.8	23.4	5.3	100
	Rural	11.9	40.2	32.9	11.3	3.7	100
state of public peace	Whole	4.6	33.3	43.1	15.8	3.2	100
	Urban	2.3	31.7	44.6	17.5	3.9	100
	Rural	9.9	37.1	39.4	11.9	1.7	100
Relationship with neighbors	Whole	14.5	50.1	31.3	3.6	0.5	100
	Urban	9.0	50.2	36.1	4.3	0.4	100
	Rural	27.7	49.8	19.6	2.2	0.7	100

Note: except the cases of no answer

3. Social activities

27.3% of the heads of poor households replied that they are members of social activity associations such as graduates associations, companion associations, and regional associations.

Table □-7 show that regular regional association is 33.6%, graduates association is 21.2%, the

aged association and association for welfare facilities are 15.9%.

Table III-7. Participation in social activities

(unit: person, %)

Classification		Frequency	Proportion
Non-Participation		1,607	75.5
Participation		394	24.5
Kinds of social activities	regular regional association	132	33.6
	graduates association	83	21.2
	Other regional association	56	14.2
	The aged association and association in welfare facilities	63	15.9
	Parents' association	22	5.5
	Friends association	21	5.3
	Hobby association	13	3.3
	Culture association	4	1.0

Note: except the cases of no answer

Table III-8 shows the difference of household income considering whether or not the head of the household is socially active. The average household income when the head of household participates in social activities is 626,000 won per month and the average household income, which does not participate in social activities, is 485,000 won per month. Hence, household incomes of the two groups are different. We don't know whether high-income causes social activity or social activity causes high income, but the two are related.

Table III-8. comparison of household income in the case of social activity/non-activity.

(unit: 10,000 won)

Classification	A verage household income	Standard error	t-value
Participating in social activities	62.60	57.56	5.643
Not participating in social activities	48.50	44.24	

Note: except the cases with no answer

Table III-9 shows the reason that the head of household does not participate in social activities. That is to say that they don't have vigor or the ability to participate in social activities(31.4%), they don't have money for social activities(27.7%). This shows that the lack of participation in social activism is not one's own selection but socially given condition.

III-9. the reason that the head of the household does not participate in social activity

(unit: person, %)		
Classification	Frequency	Proportion
No vigor and inability to participate in social activity	249	31.4
No money for social activity	219	27.7
No time	172	21.7
Displeased social activity items	70	8.8
Others	83	10.4
Total	793	100.0

Note: except the cases of no answer

40.2% of heads of poor households reside within his/her own birthplace. In addition 59.8% of all poor household have not moved within the last five years. The two results show that poor households move far less frequently than regular households. The fact that 40% of poor households have dwelled in their own birthplace shows that farmers who have given up farming to go to urban region were poor in the early stages of industrialization but now retain a different status. That is to say that the poor households continuously dwell in rural regions or move to urban regions after one-generation.

The reason for leaving their own birthplace is to get their jobs(42.7%), to follow their parents(21.9%) and to educate their children(5.6%).

Table 10. The reason that heads of poor households leave their own birthplace

The reason of leaving his birthplace	Classification	Proportion
	Person Dwelling in his own birthplace	40.2% (643 persons)
	Person not residing in their own birthplace	59.8% (957 persons)
	To get job	42.7%
	To follow their parents when childhood	21.9%
	For education	5.6%
	Bad residential environment	2.7%
	Termination of lease housing agreement	1.0%
	Others	26.1%

Note: except the cases of no answer

IV. The trend of poverty incidence and poverty level⁴(Bark sunil)

1. Rapid Increase in Poverty Rate

Since the government has not announced an official poverty line, the minimum cost of living preliminarily determined by 1999 market basket program is being used in some sectors of society as an alternative poverty line. The present research, therefore, made an attempt to provide analysis of the theoretical poverty line, subjective poverty line and the real poverty line adjusted with the change of income level and taste to reduce the subjectivity of the market basket approach. Thus, different poverty rates based on alternative poverty lines are derived in this research. First of all, the minimum costs of living estimated in 1994 and 1999 can be taken as the poverty lines. The OECD standard, i.e. 50% of median income, which is widely resorted to by poverty specialists around the world, can also be considered as a poverty line as well as 50% of average income. They are judged to belong to the range of poverty lines estimated by several ways in the other report.

However, aside from determining a poverty line, another difficulty appears significant: There is no government-conducted nationwide survey on income statistics after 1996. Therefore, the post-1996 poverty rates, with no basis of the income survey, should be estimated on the basis of the 96 poverty rates and the National Statistics Office-conducted quarterly surveys on urban worker's household income. The 1996 poverty line is 745,000 won, when GDP deflator (1.114) is taken into account on the minimum living cost estimated in 1994. When the rate of a consumer price

increase(1.098) is only reflected, the 1996 poverty line is 735,000 won. In addition, when changes in the minimum cost of living reflecting prices and income changes are taken into account, the poverty line becomes 786,000 won. It is also to be noted that 50% of the median income of four member households in 1996 is 980,000 won, which is much higher than that of the minimum cost of living standard⁷.

Table IV-1. Poverty Rates by Household Scale on the Basis of the Minimum Cost of living and 50% of the Median Income of Four-Member Households (1996)

(Unit: 1,000 won)

Classification	One Member	Two Members	Three Members	Four Members	Five Members	Six Members	Seven Members
Deflator-Applied	255	448	610	745	856	942	1006
Consumer-Price-Indexed	252	441	601	735	843	929	991
50% of Median Income	336	590	803	980	1125	1240	1324
Income-elasticity-Applied	270	472	643	786	902	994	1061
Minimum Cost of Living in 94	230	402	547	669	768	846	903

Note: 50% of median income noted above is 50% of median income of urban workers

Source: Bark, Soon Il, Estimation of Minimum Cost of Living, KIHASA, 1994, p. 206. See pp.211-213 for the method applying income elasticity⁸.

Since the concept of income elasticity is not widely accepted and the consumption irreversibility was shown during 1997 crisis, the real value (deflator) of 1994-estimated minimum cost of living is all the more desirable to be used as a poverty line. The proportions of households and household members below this standard in the total

4. This part is written by Bark, S.I.

⁷ The GDP deflator is useful in maintaining the effective value of the minimum cost of living estimated in 1994, while consumer prices cannot reflect real income changes. Moreover, income elasticity estimated in normal economy is not applicable to economy of decreasing income level, as in the case of 1997 and 1998. Therefore, the GDP deflator, which only takes consideration of changes in real income will be taken in the adjustment of poverty line.

⁸ The reflection index of income elasticity = rate of price rise + 0.472 (=income elasticity of 1994) × the rate of GDP growth; the reflection index of 1996 is estimated to be 1.175

population are 4.3% and 3.1% respectively. When the OECD standard, or 50% of median income of urban workers is applied, the national poverty rates of households and household members are 8.6% and 6.7% respectively. However, since the National Statistical Office-conducted National Survey on Household Consumption is urban household-oriented, from which small scale farms, restaurants, lodging houses and boarding houses are largely excluded. Therefore, the real national poverty rate is expected to be somewhat higher than the survey figures noted above.

Table IV-2. Poverty Rate (1996) of Households (and household members) by Region

Poverty Line	Nationwide	Cities			Rural Areas
		Total Cities	Metropolises	Others	
Whole					
(94') Minimum Cost of Living	4.3(3.1)	3.2(2.5)	2.8(2.2)	3.9(3.1)	11.0(7.1)
(99') Minimum Cost of Living	5.2(3.9)	3.9(3.2)			12.7(8.4)
50% of Median Income	8.6(6.7)	7.0(5.8)	6.3(5.3)	8.2(6.8)	18.2(13.0)
50% of Average Income	11.7(9.8)	9.8(8.6)			22.7(17.3)
Worker's Households					
(94') Minimum Cost of Living	1.9(1.9)	1.7(1.7)	1.5(1.6)	2.0(2.0)	3.3(3.2)
(99') Minimum Cost of Living	2.5(2.6)	2.3(2.3)			
50% of Median Income	5.4(5.3)	4.9(4.9)	4.7(4.7)	5.2(5.1)	8.8(8.5)
50% of Average Income	8.4(8.8)	7.7(7.9)			
Non-Worker's Households					
(94') Minimum Cost of Living	8.2(5.0)	5.7(3.7)	4.9(3.1)	7.6(5.2)	21.0(12.9)
(99') Minimum Cost of Living	9.4(6.0)	6.7(4.6)			
50% of Median Income	13.7(9.0)	10.5(7.3)	8.8(6.1)	14.1(10.1)	30.3(19.8)
50% of Average Income	16.9(16.2)	13.4(9.9)			

Note: figures in the brackets are poverty rates of household members; the real value of the 1999 minimum cost of living is estimated to be 800,000 won for 1996; 50% of median income and of four-member urban worker's households was 980,000 won in 1996; the average income of four-member urban worker's households was 1,100,000 won in 1996.

Source: "Survey on Actual Condition of Household Income and Expenditure", National Statistical Office

Despite the noticeable increase in the poverty line from 745,000 won to 980,000 won, the overall poverty rate has not shown a noticeable increase. This implies that the increase in the incidence of poverty dwindle with the rise of the poverty line if the

marginal additions in poverty incidence gets smaller when the poverty line rises.

As aforementioned, since there is no nationwide household income survey conducted after 1996, the resulting data shown in Table IV-2 on the basis of National Survey on Household Consumption conducted in 1996 by the National Statistical Office and the data gained from quarterly surveys on urban worker's household income were used in estimating post-1996 poverty rates. The following formula is applied to estimate the poverty rate of the entire households and household members.

<Formula 1>: The poverty rate of the total households (household members)

= the poverty rate of the urban worker's households (household members) × the ratio of urban worker's household (household members) to the total households (household members) + poverty rate of non-worker's urban households (household members) × the ratio of non-worker's urban households (household members) to the total households (household members) + poverty rate of rural households (household members) × the ratio of rural households(household members) to the total households (household members)

If the relationship of poverty rates of non-worker's urban households and rural village households with respect to the urban worker's households in 1996 is assumed to hold the same value, and if urban poverty incidence, the ratio of population of rural and urban non-workers' household are accounted for each year, post-1996 poverty rates of urban and whole households and household members can be estimated on the basis of the National Statistical Office-conducted quarterly surveys. Prior to estimating poverty rate of the total households (household members) by employing Formula 1, proportions of urban worker's and non-worker's households (household members) in the total

households (household members) are estimated by using more updated data on proportions of urban worker's and non-worker/s households (household members) in the urban household group⁹. However, in estimating poverty rate of urban non-worker's households, the ratio of the poverty rate of urban non-worker's households (households members) to the poverty rate of urban worker's households (household members) in 1996 was applied. The 1996 proportions of rural households and rural household members in the whole households and the whole household members are 14.8% and 5.5% respectively.

The poverty lines used to estimate the post-1996 poverty rates of urban worker's

⁹ The proportions of urban worker's households in the total urban households reported by the National Statistical Office were 61.1% in 1997 and 57.4% in 1998. This indicates proportions of urban non-worker's households in the same group to be 38.9% in 1997 and 42.6% in 1998 (and 32.0% in 1996). In addition, since there is no available data on proportions of rural households during 1997-1998, the proportion of rural households in the whole households (14.8%) and that of rural household members in the whole population (5.5%) in 1996 are used.

1) The proportion of urban worker's households to the whole households = urban worker's households / (urban households + rural households);

the 1997 proportion = $0.611 \times \text{urban households} / (\text{urban households} + (14.8 / 85.2) \times \text{urban households}) = 0.520$;

the 1998 proportion = $0.574 \times \text{urban households} / (\text{urban households} + (14.8 / 85.2) \times \text{urban households}) = 0.489$

The proportion of urban non-worker's households in the whole households = urban non-worker's households / (urban households + rural households);

the 1997 proportion = $0.389 \times \text{urban households} / (\text{urban households} + (14.8 / 85.2) \times \text{urban households}) = 0.331$;

the 1998 proportion = $0.426 \times \text{urban households} / (\text{urban households} + (14.8 / 85.2) \times \text{urban households}) = 0.363$

2) According to the 1996 data, the proportion of worker's households (62.5%) and that of worker's household members (62.8%) in urban areas were almost the same. On the assumption that the same results hold for 1997 and 1998.

The proportion of urban worker's household members in the whole household members = urban worker's household members / (urban household members + rural household members);

the 1997 proportion = $0.611 \times \text{urban households} / (\text{urban households} + (5.5 / 94.5) \times \text{urban households}) = 0.578$;

the 1998 proportion = $0.574 \times \text{urban households} / (\text{urban households} + (5.5 / 94.5) \times \text{urban households}) = 0.543$.

The proportion of urban non-worker's household members in the whole household members = urban non-worker's household members / (urban household members + rural household members);

the 1997 proportion = $0.389 \times \text{urban household members} / (\text{urban household members} + (5.5 / 94.5) \times \text{urban household members}) = 0.368$;

the 1998 proportion = $0.426 \times \text{urban household members} + (5.5 / 94.5) \times \text{urban household members}) = 0.403$.

households are calculated by multiplying the national minimum cost of living of 1994 by each year's GDP deflator index. The GDP deflator indices are estimated to be 1.150, 1.211 and 1.284 for 1997, 1998 and 1999 respectively. In addition, 50% of actual median income is used, and a household equivalent scale is gained on the basis of the minimum cost of living in 1994 which is almost similar to international standard. Meanwhile, both the estimated minimum cost of living of 1999 and 50% of average income of urban worker's households were additionally used for the year 1999, thereby estimating four types of poverty incidences. In addition, since the data on incomes of urban workers' households are being gathered through quarterly surveys, it seems highly plausible to estimate poverty lines on a quarterly basis. For instance, Table IV-3 shows the time series of 50% of median income. However, since the surveys on urban workers' income were primarily based on households with more than 2 members, the household equivalent scale is applied only to the households with more than 2 members.

The post-1996 poverty rates are estimated by applying a time series of real values of the minimum cost of living in 1994. This is an attempt to keep the cost of living from the influence of consumption patterns and the reduced income level that has been experienced after 1997 crisis. The result gained for the year 1999 is compared with the results estimated on the basis of the three standards, namely, the minimum cost of living estimated in 1999, 50% of average income of urban worker's households and 50% of median income of urban worker's households, as shown in Table IV-4.

Table IV-3. Changes in Poverty Lines Based on 50% of Median Income of Four-Member Urban Households

Year		Number of Household	2	3	4	5	6	7	8	9
		Household equivalent scale Median Income	0.602	0.819	1	1.148	1.265	1.351	0.046	0.046
96	1	1,929,430	580,758	790,102	964,715	1,107,493	1,220,364	1,303,330	1,363,283	1,425,994
	2	1,847,380	556,061	756,502	923,690	1,060,396	1,168,468	1,247,905	1,305,309	1,365,353
	3	2,093,200	630,053	857,165	1,046,600	1,201,497	1,323,949	1,413,957	1,478,999	1,547,033
	4	1,983,540	597,046	812,260	991,770	1,138,552	1,254,589	1,339,881	1,401,516	1,465,986
97	1	2,080,000	626,080	851,760	1,040,000	1,193,920	1,315,600	1,405,040	1,469,672	1,537,277
	2	1,999,930	601,979	818,971	999,965	1,147,960	1,264,956	1,350,953	1,413,097	1,478,099
	3	2,229,000	670,929	912,776	1,114,500	1,279,446	1,409,843	1,505,690	1,574,952	1,647,400
	4	2,001,921	602,579	819,787	1,000,961	1,149,103	1,266,216	1,352,298	1,414,504	1,479,571
98	1	2,050,000	617,050	839,475	1,025,000	1,176,700	1,296,625	1,384,775	1,448,475	1,515,105
	2	1,844,000	555,044	755,118	922,000	1,058,456	1,166,330	1,245,622	1,302,921	1,362,855
	3	1,833,750	551,959	750,921	916,875	1,052,573	1,159,847	1,238,698	1,295,678	1,355,279
	4	1,950,937	587,232	798,909	975,469	1,119,838	1,233,968	1,317,859	1,378,481	1,441,891
99	1	1,976,433	594,907	809,350	988,217	1,134,473	1,250,095	1,335,081	1,396,495	1,460,734
	2	1,877,560	565,146	768,861	938,780	1,077,719	1,187,557	1,268,292	1,326,633	1,387,658
	3	2,089,740	629,012	855,749	1,044,870	1,199,511	1,321,761	1,411,619	1,476,553	1,544,474
	4	2,104,340	633,406	861,727	1,052,170	1,207,891	1,330,995	1,421,482	1,486,870	1,555,266

Table IV-4. Changes in the Real Values of the Minimum Cost of Living of 1994 by Year and the Minimum Cost of Living and 50% of Average Income in 1999

Classification	2 persons	3 persons	4 persons	5 persons	6 persons	7 persons
The Minimum Cost of Living Estimated in 1994	402	547	669	768	846	903
The Real Value of 1994's MCL in 1997	462	629	769	883	973	1038
The Real Value of 1994's MCL in 1998	487	662	810	930	1025	1094
The Real Value of 1994's MCL in 1999	516	702	859	986	1086	1159
The Minimum Cost of Living Estimated in 1999	521	717	901	1025	1156	1156

50% of Average Income in 1999	659	894	1091	1253	1380	1474
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Note: 50% of average income in 1999 is cited from Lee, Hyun Joo, Poverty and Next Poor Class, Health and Welfare Forum Policy, KIHASA, 2000

The results shown in Table IV-5 are derived in accordance with the poverty rates of urban worker's, urban non-worker's households and rural households resulting from the 1996 survey and post-1997 poverty rates of urban worker's households estimated depending on urban household surveys¹⁰. When the real value of the 1994 minimum cost of living, which is equivalent to the lower bound of the poverty line range, is taken as a poverty line, the poverty rate of the total households of the 1st quarter, 1999 became 20%, which is 5 times higher than that of 1996. However, since then the poverty rate has been undergoing a downward tendency until reaching 14.5% in the 4th quarter of 1999. As a result, the average poverty rate has shown only a moderate increase from 16.5% of 1998 to 17.6% of 1999. This downward trend of poverty incidence is on the same track as the higher economic growth rate, and reduction of unemployment

¹⁰ Poverty rates can be estimated on the basis of the results indicated in former Footnote.

Thus, the national poverty rate of the 4th quarter of 1997

$$= 2.9 \times 0.520 + 2.9 \times 3.353 (=5.7 / 1.7) \times 0.331 + 2.9 \times 6.471 (=11.0 / 1.7) \times 0.148$$

$$= 2.9 \times 2.588 = 7.5$$

Poverty rate of the 3rd quarter of 1997 = 2.3×2.558

= 6.0; poverty rates of the 1st and 2nd quarters are 8.8 and 7.2 respectively.

In the case of the 4th quarter of 1998, there have been changes in the proportions of urban worker's and non-worker's households in the whole households. Thus, the national poverty rate of the 4th quarter of 1998 = $5.6 \times (0.489 + 3.353 \times 0.363 + 6.471 \times 0.148) = 14.9\%$.

Since changes have been taken place only in the proportions of urban worker's households, as in the case of 1997 to 1998, the national poverty rates of the 1st, 2nd and the 3rd quarters are estimated to be 16.3%, 17% and 17.8% respectively.

Proportions of urban worker's households in the total households in 1999 are 54.9%, 55.6%, 55.9% and 56.8%, respectively for 1/4 to 4/4 quarter. By using these figures, the national poverty rates can be estimated as the following.

$$\text{Poverty rate of the 1st quarter: } 7.4\% \times (0.549 / (1 + 14.8 / 85.2)) + 3.353 \times (0.451 / (1 + 14.8 / 85.2)) + 6.471 \times 0.148 = 7.4 \times 2.723 = 20.2\%;$$

poverty rate of the 2nd quarter

$$= 7.4\% \times (0.556 / 1.174 + 3.353 \times 0.444 / 1.174 + 6.471 \times 0.148)$$

$$= 7.4 \times 2.70 = 20.0\%; \text{ poverty rate of the 3rd quarter}$$

$$= 5.8\% \times (0.559 / 1.174 + 3.353 \times 0.441 / 1.174 + 0.958)$$

$$= 5.8 \times 2.694 = 15.6\%;$$

poverty rate of the 4th quarter

incidence at the same period. However, if 50% of median income, the relative poverty line generally used by OECD countries, is applied, the poverty rate of the total households becomes as high as 17.8% in 1998. Despite the fact that there has been a considerable decrease in the real level of median income, the reasons for high estimation of poverty rates might be explained as follows. While the hard-core poor began to incorporate themselves into the next poor class, the next poor were unable to facilitate mobility toward the middle class. Therefore, it is too early to take an optimistic view. In addition, there still remain structural factors, which aggravate unemployment or instability of employment and poverty rates. The trend of poverty rates would be determined by those factors and soothing effects of economic recovery.

Table IV-5. Estimation of poverty Rates of the Whole and Urban Workers' Households from 1996 to the 2nd Quarter of 1999.

	96	97	'97. I	'97. II	'97. III	'97. IV	98	'98. I	'98. II	'98. III	'98. IV	99	'99. I	'99. II	'99. III	'99. IV
Urban Worker's Households	1.7	2.9	3.4	2.8	2.3	2.9	6.2	6.1	6.4	6.7	5.6	6.5	7.4	7.4	5.8	5.4
(A)												7.1	8.2	7.8	6.5	6.0
(B)	4.9	7.2	8.2	6.2	7.6	6.6	9.6	10.5	8.7	9.9	9.2	9.7	10.7	8.7	10.1	9.2
(C)												12.0	13.5	13.1	11.2	10.3
(D)																
Whole household	4.3	7.4	8.8	7.2	6.0	7.5	16.5	16.3	17.0	17.8	14.9	17.6	20.2	20.0	15.6	14.5
(A)												16.3	17.0	18.6	15.5	14.2
(B)	8.6	12.8	14.6	11.1	13.6	11.8	17.4	19.1	15.8	18.0	16.7	17.8	19.7	16.0	18.5	16.8
(C)												18.8	21.2	20.1	17.6	16.1
(D)																
Urban Households (Consumption/ Expenditure- based)																
(A)		11.4	10.5	12.2	11.8	10.9	20.2	18.5	22.4	25.5	14.3		16.6	19.3	17.5	

Note: A is the real value of the 1994's minimum cost of living; B is the estimated minimum cost of living

$$= 5.4\% \times (0.568 / 1.174 + 3.353 \times 0.432 / 1.174 + 0.958) = 5.4 \times 2.676 = 14.5\%.$$

of 1999; C is 50% of median income of urban worker's households; D is 50% of average income of urban workers.

Source: "Survey on Actual Condition of Household Income and Expenditure"

In 1998, the consumption/expenditure-based poverty rate of the total urban households was higher than the income-based national poverty rate, and this may be attributable to the new trend of frugal consumption during the economic crisis. However, the consumption-based poverty rate during the short period between the 4th quarter of 1998 and the 2nd quarter of 1999 was estimated as being somewhat lower than the income-based poverty rate, supporting an existing analysis that the restrained propensity to consume was unleashed in line with an economic pickup. The survey data on the whole households of 1996 also shows that average monthly expenditure of poor households (464,000 won) exceeds their average monthly income (349,000 won), which signifies that their income poverty rate is likely to be higher than their expenditure counterpart.

Poverty rates of the whole households rose rapidly during 1998 and 1999. This may be attributed to the increase in proportion of non-workers households to the whole households, among which the poverty rate is relatively high, as well as the rise in poverty rate of urban workers households. The proportion of non-workers households to the whole increased, because the unemployment rate in the post-crisis period rose. And since it is hard to expect that their poverty rate has been decreased to a great extent since 1996, the above poverty rate would not be overestimated to any remarkable degree. Furthermore, since one-member households, whose poverty occurrence rate is the highest, are excluded from the survey on urban worker's households, it is expected that the above estimations may be somewhat lower than reality.

The national poverty rate of household members is shown to be much lower than its

household counterpart. But there has been an increase three times from 3.1% of 1996 to 10.9% of 1998, and it remained the same throughout 1999. However, the poverty rate of the 1st quarter of 1999 marked its highest at 12.6%¹¹ and decreased thereafter until reaching 8.8% in the 4th quarter of the same year. The decrease in the poverty rate within 1999 seems largely due to the rapid drop of unemployment rate during the same period along with the overall enhancement of income level. However the pace of the poverty rate decrease has been much slower than that of unemployment rate, even when the time lag relation between the two indices were taken into account. When the OECD standard is applied, the relative poverty rate in 4th quarters becomes staggering at 11.7% and the annual poverty rate at 12.7%. Furthermore, when a higher poverty line, i.e. the minimum cost of living estimated in 1999 is applied, the poverty rate would be estimated much higher than the minimum cost of living index of 1994, while the difference between the two is likely to be underestimated due to lack of updated income statistics.

¹¹ The poverty rates of households and those of household members, as shown in Table 2, are almost the same when they are estimated on the basis of the total worker's households. However, the former becomes much higher than the latter in terms of rural and non-worker's households. Therefore, if the component ratio of urban worker's households and urban non-worker's households is assumed to hold in the case of urban worker's household members and urban non-worker's household members, the poverty rates of the total household members can be estimated as the following.

The proportion of urban worker's household members in the total household members
= urban worker's household members / (urban household members + rural household members)
= urban worker's household members / (urban household members + (0.055 / 0.945) × urban household members).

Thus, the proportions of urban worker's household members in the total household members are 0.578 or 57.8% (= 0.611 / 1.058) for 1997 and 0.543 or 54.3% (= 0.574 / 1.058) for 1998. The proportions of urban non-worker's household members in the total household members are 0.368 (= 0.389 / 1.058) for 1997 and 0.403 (= 0.426 / 1.058) for 1998. By substituting these figures in <Formula 1> we can get the following national poverty rates.

Poverty rate of the 1st quarter of 1999: $7.5\% \times (0.549 / (1 + 0.055 / 0.945)) + (3.7 / 1.7) \times 0.451 / (1 + 0.055 / 0.945) + (7.1 / 1.7) \times 0.055 = 7.5\% \times 1.68 = 12.6\%$

2nd quarter: $7.3\% \times (0.556 / 1.058 + 2.176 \times 0.444 / 1.058 + 4.176 \times 0.055) = 7.3\% \times 1.67 = 12.2\%$

3rd quarter: $5.9\% \times (0.559 / 1.058 + 2.176 \times 0.441 / 1.058 + 4.176 \times 0.005) = 5.9\% \times 1.67 = 9.9\%$

4th quarter: $5.3\% \times (0.568 / 1.058 + 2.176 \times 0.432 / 1.058 + 4.176 \times 0.055) = 5.3\% \times 1.66 = 8.8\%$

Table IV-6. Poverty Rates (%) of the Whole and Urban Worker's Household Members in the 2nd Quarters of From 1996 to 1999

	'96	'97	'97. I	'97. II	'97. III	'97. IV	'98	'98. I	'98. II	'98. III	'98. IV	99	'99. I	'99. II	'99. III	'99. IV
Members of Urban Worker's Household																
(A)	1.7	2.9	3.5	2.8	2.3	3.0	6.3	6.1	6.6	7.0	5.6	6.5	7.5	7.3	5.9	5.3
(B)												7.3	8.5	7.9	6.7	6.0
(C)	4.9	7.3	8.4	6.3	7.8	6.7	9.7	10.6	8.9	10.1	9.3	9.7	10.9	8.7	10.2	9.1
(D)												12.2	13.8	13.3	11.4	10.3
Whole																
(A)	3.1	4.9	5.9	4.7	3.9	5.0	10.9	10.5	11.4	12.1	9.7	10.9	12.6	12.2	9.9	8.8
(B)												11.4	13.4	12.4	10.5	9.3
(C)	6.7	9.3	10.7	8.0	9.9	8.5	12.6	13.7	11.5	13.0	12.0	12.7	14.1	11.7	13.2	11.7
(D)												14.3	16.2	15.6	13.3	12.0
Unemployment Rate	2.0	2.6	3.1	2.5	2.2	2.6	6.8	5.6	6.8	7.4	7.4	6.3	8.4	6.6	5.6	4.6

Note : A,B,C,D are the same notation as in Table IV-5.

However, there are several problematic aspects in the foregoing estimation of poverty rates.

(1) It is likely that the estimated national poverty rate has been somewhat lower than the reality, because the annual Urban Household Economy Surveys only cover households with more than two family members. This may bring out a lower-than-actual poverty rate because the post-1996 poverty rate of urban worker's households does not cover the group of one-member households whose poverty rate is considerably higher than the rest, and because small-scale business households and farmer's households, whose income levels are not clearly distinguished from revenues, are excluded from the 1996 statistics.

(2) Since the estimation relied primarily on the income distribution of the total

households of 1996 rather than direct and updated statistics, the gap between the estimated and the real poverty rates may become greater. There are no quarterly or annual income level statistics, except those covering urban worker's households. The only available data on the total households (except farmer's households) is one gathered in 1996, and this made the nature of the estimation wholly indirect. Therefore, as shown in Table IV-5, despite the noticeable difference in the level between two, namely 50% of median or average income of households with four members on the one hand, and the 1994 estimated minimum cost of living on the other, almost no difference in the poverty rate is detected. Furthermore, although the poverty rates of urban worker's households, which were used as baseline data for the national poverty rates in 2nd quarter of 1998 and 1st and 2nd quarters of 1999, were significantly higher with the OECD poverty standard (50% of median income), the national poverty rates are estimated to be rather lower. This result may be attributed to the fact that the multipliers used in estimating the national poverty rate on the basis of the poverty rate of urban worker group decreases as poverty line gets higher. The multiplier can be estimated through the application of Formula 1. Table IV-7, then, seems evident that the ratios of the poverty rate of urban non-worker's households and rural households to the poverty rate of urban worker's household decreases, with poverty line getting higher.

Several explanations for this result can be given. First, while the proportion of the hard-core poor, which constitutes a major proportion of urban non-worker's and rural poor household, tends to decrease as the poverty line rises, the proportion of the same group in the urban worker's households remains stable at relatively low level even with an increasing of poverty line.

Second, if the ratio between two multipliers, the 50% of median income and the real value of 1994 minimum cost of living, is higher than the ratio between the two poverty lines, the national poverty rate by the former standard could be estimated lower even when the poverty rate of urban worker's households estimated by the former standard is higher than the one estimated by the latter standard. For instance, in the case of the 2nd quarter of 1999, the national poverty rate was estimated to be larger with lower poverty line because of the following relationship: $P_m/P_{94} < 2.7/1.835$ ¹². The estimated multipliers were 2.588 for 1997, 2.664 for 1998, 2.723 for the 1st quarter of 1999, 2.70 for the 2nd quarter of 1999, and 2.694 for the 3rd quarter of 1999 when the poverty line based on the real value of the minimum cost of living in 1994 was used. On the other hand, when 50% of median income was used as the standard poverty line, the multipliers were estimated to be 1.783 for 1997, 1.818 for 1998, 1.841 for 1st quarter of 1999, 1.835 for 2nd quarter of 1999, and 1.831 for 3rd quarter of 1999.

Table IV-7. Poverty Rates of Urban Workers, and Magnifications of Poverty Rates of Urban Workers with respect to Poverty Rates of Other Groups

Types of Poverty Line	745,000 won	800,000 won	900,000 won	980,000 won	110,000 won
Poverty Rate of Urban Worker's Households (A)	1.7(1.7)	2.3(2.3)	3.6	4.9(4.9)	7.7(7.9)
Poverty Rate of Urban Non-Worker's Households / A	3.35(2.18)	2.91(2.0)	2.50	2.14(1.49)	1.74(1.25)
Poverty Rate of Rural Areas / A	6.47(4.18)	5.52(3.65)	4.50	3.71(2.65)	2.95(2.19)

Note: figures in the brackets are magnifications of household members.

(3) The median monthly income in 1996 did not increase, as 1,960,000 won, 2,080,000 won in 1997, 1,920,000 won in 1998, 1,980,000 won in the 1st quarter of 1999,

¹² P_m is the poverty rate of urban workers estimated on the basis of 50% of median income; P_{94} is the poverty rate of the same group estimated on the basis of the real value of the 1994 minimum cost of living; the figures 2.7 and 1.835 are two multipliers estimated on the basis of the two poverty lines.

and 2,100,000 won in the 4th quarter of 1999. The real value of the median income has declined because the income level did not make a substantial increase. Therefore, in comparison with the case of the real value of the 1994 minimum cost of living, the increase in poverty rate under this standard was not noticeable. 50% of median income of a four-member household was 980,000 won in 1996, while the real value of the minimum cost of living was 745,000 won in the same period. In 1999, however, the former was 1,000,000 won and the latter, 859,000 won. But as implied in the changes of distribution in median income, the average income and the mode income in Table IV-8, the poor group may still constitute a large portion of the whole population. In comparison with 1997 and 1998, the mode income level has been lowered during 1999 and it is also near to the 50% of median income. This would mean more people are now on the OECD standard of poverty.

Table IV-8. Changes in the Average (Mean), Median and Mode Incomes

		Mean (won)	Median (won)	Mode (won)
1996		2,201,600	1,960,000	1,500,000
1996 (Whole)	1	2,198,561	1,929,430	1,500,000
	2	2,121,130	1,847,380	1,500,000
	3	2,388,404	2,093,200	1,500,000
	4	2,304,891	1,983,540	1,000,000
1997 (Urban Household Worker)	1	2,354,333	2,080,000	1,000,000
	2	2,282,563	1,999,930	1,500,000
	3	2,499,689	2,229,000	1,500,000
	4	2,274,379	2,001,921	1,500,000
1998 (Urban Household Worker)	1	2,334,563	2,050,000	1,500,000
	2	2,126,472	1,844,000	1,200,000
	3	2,163,263	1,833,750	1,500,000
	4	2,215,998	1,950,937	1,500,000
1999 (Urban Household Worker)	1	2,308,936	1,976,433	1,000,000
	2	2,182,950	1,877,560	1,000,000
	3	2,384,385	2,089,740	1,200,000
	4	2,550,359	2,104,340	1,200,000

The following conclusions can be drawn from the poverty rate estimations. First, if the poverty lines incline, then the pace of increase in poverty rates slows because the influence of the hard-core poor on the poverty rate would be reduced, especially when the poverty line exceed the mode income level. Secondly, however, this means a thickening of the relative poor stratum over absolute poverty line rather than a reduction of the whole poor. In other words, a portion of the absolute poor is moving toward incorporation into the relative poor group. Third, an accurate estimation of the poverty rate is possible only when income statistics are provided annually. Although it would not be impossible to use expenditure statistics in estimating the poverty rate, as seen in the case of the year 1998, the different patterns between income changes and expenditure changes would bring out different outcomes from two types of estimations concerning the trends in poverty rates. Fourth, the poverty rates of the total households and household members in 1999 are estimated to be 16-18% and 11-13 % when both the real value of the minimum cost of living (of 1994) and the OECD standard are applied. Fifth, it is hard to take an optimistic view of future reduction in the poverty rate in an environment in which reform plans for industrial structure, enhancement of knowledge-based industries and polarization of wage structure are on the way. Provisions of applicable long-term positive measures seem more urgent than taking an optimistic view.

V. The Causes of Poverty and their contribution²

Before the economic shock in 1997, the households which slipped into the poverty trap were found chiefly in disadvantaged groups such as the aged, disabled, and mother-headed households, which have the characteristics of poor ability to find a job as well as small household size. Therefore, the main causes of impoverishment of a certain household before the crisis was the vulnerability and size of households. For instance, the national poverty incidences were 12.9% and 3.7% respectively for single and two person households in 1996 when the real value of the minimum living cost, estimated in 1994 as the poverty line, was applied to the nation-wide consumption and income survey conducted by the National Statistical Office. The poverty incidence is decreasing to 3.7% for three persons households and 2.0% for four persons when the household size increases. And, the contribution rate of household sizes to the total poverty incidence, 4.3%, are respectively 33.8% for one person household, 28.8% for two, 15.9% for three, 13.4% for four, 6.3% for five, 1.6% for six, and 0.2% for seven.

Table V -1. Annual Income Distribution By Household size (1996)

Classification	(unit: 1,000,000won, persons, %)									
	< 8	8-11	11-14	14 -17	17 - 20	20 - 26	26 - 32	32 - 40	40 - 50	> 50
2person	3.2	2.5	2.5	2.4	2	3.2	1.7	0.6	0.5	0.5
3person	1	1.6	2.3	3.2	3.2	5.6	3.5	2.6	1.4	1
4person	0.4	1.1	2.1	3.6	4.9	9.2	6.6	5.2	2.9	2.5
5person	0.1	0.3	0.5	0.8	1.1	2.8	2.2	1.8	1.3	1
6person	0.01	0.03	0.1	0.2	0.3	0.7	0.8	0.7	0.5	0.5
7person+	0	0	0.02	0.05	0.1	0.2	0.2	0.3	0.3	0.3
sum	19.4	25.2	38.4	11.9	3.8	1.4				

note: the proportion of single person household is 12.9% in the above survey.

source: National Statistical Office, The National Household Survey of Income and Consumption, 1996

² This is written by Bark, Soonil and Kang Sungho

The importance of the household size in impoverishment is also recognized with the published data by the National Statistical Office shown in the table below. The NSO data has also shown a decreasing impact of household size upon poverty rate, despite its shortcoming of excluding the single person household.

If the poverty line is assumed to be annually 8 million won without considering the household size, the ratio of households whose annual income are below the line is 4.7%. In addition, the ratios of households below the line are declining from 16.4% for two person households to 3.9% for three person households.

Another important factor of impoverishment is family composition, closely related to the size of household. That is, the relationship of larger poverty incidences with smaller household sizes reflects that the small households are vulnerable because they include chiefly aged and single parent households. The poverty incidences are 31.7% for the aged households and 10.1% for the mother-headed ones in 1996, being appraised by the adjusted real MLC in 1996 with the MLC in 1994. They occupy 7.1% and 2.1% respectively of total households. Therefore, the characteristics of households are very influential in impoverishment, and their contribution rate to poverty incidence are as large as 45.1% for the aged household, 4.3% for mother headed households and larger value for the disabled in 1996, which suggests these are some of the chief causes of poverty. Among them, the aged household is a major source of poverty in 1996 and the single person household amounts to 61% of the aged. Rural poverty is also more severe than urban, because of the small size of households with 2-3 persons make up a higher proportion of the aged household in rural 41.2% than in urban, 28.5%.

After the 1997 economic crisis, family characteristics are still important causes of poverty. The poverty caused by diseases, accidents, aged, and handicapped is 29.9% among total poor households whose income is less than 50% of the average household

income in the survey conducted in July of 1999. However, the major cause of poverty has changed after the crisis. Causes related to work failure such as a low level of schooling, lack of skill, unemployment, inability to find jobs explain 34.1% of total reasons and the rate rises to 47.6% if bankruptcy is included. Actually, after the crisis, the poor increased 3 times within two years and the increased portion is mainly added by the newly generated unemployed, occupying about two third of the total poor households. These new poor require productive assistance like work opportunity in addition to protection of basic living.

For convenience, we divide the repliers of the survey into the participants and non-participants in social assistance programs, such as public works, loans to the unemployed, occupational training, and the simple assistant poverty programs like livelihood protection and medicaid programs, cash assistance to the aged and disabled, and so on. Even for the social assistance program participants, the cause of poverty related to diseases, accidents, and aged explains only 22.9% but causes related to work failure are 54.2%. Hence, the counter policies against poverty should be strengthened in terms of raising work opportunities rather than assisting with cash benefits.

Table V-2. Main Causes of Poverty for The Social Assistance Program Participants And Non-participants (1999.7)

(unit : %)

	business failure		lack of schooling/skill	loosing job	can't find job	debt	diseases accident disabled aged	laziness	others	answers
	parents	self								
Particip-ants	5.0	15.7	17.5	12.5	8.5	6.8	22.9	0.8	10.4	445
Nonparticipa-nts	6.4	10.7	17.0	7.8	3.5	2.2	39.4	0.9	12.1	332
Total	5.6	13.5	17.3	10.5	6.3	4.8	29.9	0.8	11.1	777

As already explained, social assistance programs include both the programs implemented by the ministry of labor and the programs of the ministry of health and welfare, which focused upon the poor or near poor.

The unemployment of the head of a household and/or other family member is very influential in impoverishment, even before the economic crisis. According to the whole household survey of the National Statistical Office in 1996, maintaining a job was an absolute determinant in avoiding poverty. While 51.2% of the household which have no employed persons acquires annually less than 11,000,000 won near to poverty line, the proportion drops to 11.6% for the households which have one person employed.

Table V-3. Annual Income Distribution by Numbers of the Employed(1996)

	(unit: 10,000won, %)										
	<800	800 - 1100	1100 - 1400	1400 - 1700	1700 - 2000	2000 - 2600	2600 - 3200	3200 - 4000	4000 - 5000	>5000	sample weight
0 person	34.0	17.2	11.7	9.8	6.7	8.6	4.5	3.9	0.8	2.8	6.9
1 "	4.2	7.4	10.0	13.2	13.9	23.6	13.1	8.1	4.4	3.6	46.9
2 "	1.0	2.1	4.9	8.0	10.9	24.3	18.2	14.8	9.0	6.8	38.5
3 "	0.2	0.4	1.0	3.6	5.1	18.4	22.0	22.3	13.9	13.1	6.3
> 4 "	0	0	0.4	0.2	3.2	5.6	11.7	25.8	27.3	25.9	1.5

The households in which the job state is not stable have a high possibility of getting into a poverty trap, which includes non-workers like the self-employed as well as irregular and part time workers, and so on. Because the income statistics has not been surveyed since 1996 by the National Statistical Office, if we look at the data of 1996 survey by NSO, the poverty incidence is only 1.9% for the workers households and

9.6% for the non-worker's households. The households whose labor income is under the poverty line is also only 3.4%. Therefore, the contribution rate to the incidence of poverty of the workers' households which occupy 61.4% of total household is merely 26.5% but it rises to 73.5% to the non-worker households which hold only 38.6% of the total. The possibility of non worker households is 4.4 times larger than that of the worker's households and the index of possibility of poverty for non-worker households is $1.90(=73.5/38.6)$ while the same index is $0.43(=26.5/61.4)$ for worker households.

Even with the data released publicly by NSO in 1996, the rate of poor households whose annual income are under 8,000,000 won, 4.7% is divided into 1.69% for workers' households(its proportion of total households is 35.9%) and 2.49% for the households out of work(its proportion of total households is 52.9%). Therefore, 64.1% of the poor comes from non-worker households, especially with members who have lost job, and the contribution rate of business households is barely 0.5%.

Table V -4. Income Distribution by the Type of Economic Activities of Household Head(1996)

(unit: 1,000,000won, %)											
	Under 800	800 - 1100	1100 - 1400	1400 - 1700	1700 - 2000	2000 - 2600	2600 - 3200	3200 - 4000	4000 - 5000	Over 5000	sample weight
Whole household	4.7	5.5	7.5	10.2	11.5	21.6	15.0	11.6	6.9	5.7	100
Workers	2.7	5.3	8.2	11.5	12.9	22.6	15.8	10.9	6.2	3.9	62.5
Business	1.7	3.1	4.7	7.4	9.9	22.5	15.8	14.6	10.0	10.4	28.9
out of work	28.9	14.9	11.2	10.1	7.1	11.2	6.3	5.8	1.4	3.1	8.6

However, the main cause of poverty has the dramatically changed in the quality and the contribution rate. The universal phenomenon of unemployment in 1960 to 1970 revived again and the rate of non-workers increased rapidly as well as precarious workers, raising the poverty incidence greatly.

The consciousness of poverty transference is not found in the survey. Only 5.6% of respondents believe the cause of their poverty is generated from their parents' failure in business, though even 52.3% of the present poor households spent most of their childhood in poverty. This is found in both households, which participate in social programs and do not participate. In addition, they claim the causes of poverty of their parents are attributed to individual shortcomings like low schooling and skill(39.8%), diseases(6.5%), laziness and indulgences(7.7%) rather than social problems. Therefore, poverty inheritance is not recognized to be a chief and determinant cause of poverty while it is still an actual phenomenon even in recent days.

Table V -5. Reginal Distribution of Annual Income(1996)

(unit: 10,000won, %)

	<800	800 - 1000	1000 - 1200	1200 - 1500	1500 - 2000	2000 - 2500	2500 - 3000	3000 - 4000	4000 - 5000	>5000	total
city	3.4	2.9	3.0	7.6	15.6	15.9	12.0	14.7	6.4	5.3	86.8
rural	1.3	0.7	0.6	1.5	2.9	2.5	1.5	1.5	0.5	0.4	13.2
total	4.7	3.6	3.5	9.1	18.4	18.4	13.5	16.2	6.9	5.7	100

As in the past, presently the poverty incidence is very high in rural areas, however this trend changed after the economic crisis. The disparity of poverty incidence between two regions dwindled because of the great amount of unemployment and poverty which took place almost entirely in urban areas. Nevertheless, more important than earning income, the poverty line is not easily discernable in rural households. Although 65.5% of the poor lived in cities(metropolitan 37.3%, other cities 28.2%), rural poverty incidence in 1996 was 11.0% and 7.1% respectively in terms of household and population, which is almost triple those in urban cities. According to another statistic released by NSO, rural poverty incidence, 9.8% are far greater than urban, 3.9%, while

72.3% of the households whose annual income are less than 8,000,000 won, live in urban areas.

More especially, in order to analyze the causes of poverty, the contribution degree of household characteristics to poverty are estimated, depending on a techniques using variances and estimated values of coefficients)(Fields & Yoo or Yoo, K. J., pp 235-6 and Kim, Jinkoo pp. 39-41)

Where Y implies household income and X_i are independent variables for household characteristics, the following identity is established according to a statistical theorem.

$$1 = \sum a_i * \text{cov}(Y, X_i) / \text{Var}(Y) \dots\dots\dots(V.1)$$

a_i are the estimated coefficients of independent variables, X_i when they are regressed on Y. We built a model showing how each variable influences the poverty gap(P-Y) where P is the poverty lines, as follows.

$$P-Y = F(X_i) \dots\dots\dots(V.2)$$

The equation is transformed into $Y = P - F(X_i)$ and the variables, P and Y are per capita values. As independent variables, employment status of household heads, the number of the employed, number of household members, age, sex, schooling, types of occupation, status of disabilities and diseases of household heads, number of the disabled in households, residential areas, types of household, magnitude of household assets are all taken into account. The poor household samples under 50% of urban average income surveyed on July 1999 was adjusted with regional weights reducing the sample size from 1939 to 1817. And the poverty line used here to divide the poor and

non-poor is the selection criteria of the livelihood protection program, 230,000 won per capita. The Tobit estimation method is mobilized to reduce statistical biases caused by the truncated data. The value of dependent variables are 0 for the households whose per capita income are larger than 230,000 won and positive values of poverty gap for the households less than 230,000 won. Then, the following relationships are built;

$$\begin{aligned} P - Y &= 0, & \text{if } Y \geq 23 \\ P - Y &= F(X_i), & \text{if } Y < 23 \end{aligned}$$

The first estimation demonstrated many statistically insignificant coefficients.

$$\begin{aligned} Y = & 17.80 - 1.62 \text{ FANUM} - 0.068 \text{ AGE} + 0.18 \text{ FAHSEX} - 2.30 \text{ FAHJOB} \\ & (11.30) \quad (8.83) \quad (3.72) \quad (0.29) \quad (.94) \\ & + 0.86 \text{ FAHILL} - 0.84 \text{ FAHDIS} - 0.93 \text{ NUMILL} + 0.21 \text{ NUMDIS} \\ & (1.22) \quad (0.93) \quad (2.16) \quad (0.30) \\ & + 1.23 \text{ REG1} + 0.83 \text{ REG2} + 3.43 \text{ NUMJOB} - 0.25 \text{ FAMTYPE} \\ & (2.43) \quad (1.45) \quad (9.84) \quad (0.34) \\ & + 0.00027 \text{ ASSET} + 2.31 \text{ JOBTYP1} + 6.60 \text{ JOBTYP2} + 5.23 \text{ JOBTYP3} \\ & (0.79) \quad (0.81) \quad (2.99) \quad (2.50) \\ & - 0.70 \text{ JOBTYP4} + 2.86 \text{ WORKHOUR1} - 0.03 \text{ WORKHOUR2} \\ & (0.03) \quad (2.00) \quad (0.02) \\ & + 1.06 \text{ FAHEU1} + 0.90 \text{ FAHEU2} - 0.27 \text{ POVINCHIL} \\ & (1.32) \quad (1.77) \quad (0.67) \\ N = & 1836, \quad \text{Log Likelihood Function} = -5427.9 \end{aligned}$$

where the variable names are as follows : Y per capita household income, FANUM number of household, AGE ages of household heads, FAHSEX sex of household heads, FAHJOB dummy variable for employment status of household heads(1 for having job), FAHILL dummy for diseases of household heads(1 for non), FAHDIS dummy for

disabled of household heads(1 for non), NUMILL number of diseased household members, NUMDIS number of disabled household members, REG1 dummy for metropolitan region, REG2 dummy for middle size cities, NUMJOB number of employed household members, FAMTYPE dummy for household types, ASSET amount of asset to generate income, JOBTYP1 occupational dummy for specialists, civilians, teachers, etc, JOBTYP2 occupational dummy for clericals and technicians, JOBTYP3 occupational dummy for production workers, sales man, etc, JOBTYP4 occupational dummy for self employed, WORKHOUR1 dummy for full time workers, WORKHOUR2 dummy for temporary, part-time, daily workers, FAHEU1 dummy variable for schooling of household head over colleges, FAHEU2 dummy for schooling of household head of graduation of middle and high schools, POVINCHIL dummy for poor status in childhood.

The equation is estimated again after removing all variables of statistical insignificance. And, several variables are adjusted to raise statistical significance of estimation. The reference dummy variable concerning the schooling of household head is changed to graduation of middle school from high school. Other reference dummy variables are also changed to combined variables of specialist, clerical, etc for occupational types like JOBTYP12, and production workers, self employed, etc. like JOBTYP34.

$$\begin{aligned}
 Y = & 17.75 - 1.612 \text{ FANUM} - 0.073 \text{ AGE} + - 0.93 \text{ NUMILL} + 0.997 \text{ FAHEU1} \\
 & (12.61) \quad (9.76) \quad (4.03) \quad (1.85) \quad (2.02) \\
 & + 1.846 \text{ REG1} + 1.296 \text{ REG2} + 3.174 \text{ NUMJOB} + 5.587 \text{ JOBTYP12} \\
 & (3.79) \quad (2.32) \quad (9.40) \quad (6.38) \\
 & + 2.467 \text{ JOBTYP34} - 0.488 \text{ NUMDIS} \\
 & (4.39) \quad (1.04) \\
 N = & 1853, \quad \text{Log Likelihood Function} = -5510.2
 \end{aligned}$$

All variables except for the variable for number of disabled are estimated to be significant in t statistics. Hence, the estimation results enable to derive the degree and ordering of impact of each characteristics variable to the poverty gap. The most influential variables are the numbers of the employed in household and occupational types of household heads. The former variable explains 11.11% and the latter does 6.13% among total changes of the poverty gap.

Table V -6. The Contribution degree of Individual characteristics of Household or its head to the Poverty Gap

(unit: %)									
number of the employed	Occupational types (specialists, etc)	occupational types (production worker, etc)	Household size	age	number of the diseased	number of the disabled	schooling	Metropolitan	middle city
11.11	4.40	1.73	0.80	0.63	0.34	-0.11	0.16	0.07	-0.3

Other impact orders are the number of household members, ages of household heads, number of the diseased, number of the disabled, schooling of household head, residential area of metropolitan, and middle cities. However, these variables combine represent only 18.83% of changes in the poverty gap. If we consider R^2 to be estimated as 0.193 when the ordinary least square method of estimation is applied to the sample of 1390 households whose per capita income is less than 230,000 won, a large number of other variables would explain more than the variables included in the above equation. For instance, the households which lost their jobs during 1998 to 1999 were severely damaged losing more income and failing to receive even partial recovery for their losses. It inevitably lead to a bigger poverty gap than other households of the

unemployed, even if both have the same value of relevant independent variables. Nonetheless, the degree and ordering of the household characteristics recognized generally as important causes of poverty can be estimated with the above approach.

The observation that chief causes of poverty has changed after the 1997 economic crisis is also ascertained by the comparison with the estimation results of panel analysis conducted on time series data of Annual Statistics of Urban household Budget in 1992(Bark, S. I., etc, 1993, pp. 76-78)

Table V -7. Causes of Poverty in 1992

	average value	(unit, %)		
		poverty line		
		40% of average income	50% of average income	100,000won in 1991 value
constant		-.598(15.0)	-.441(12.6)	-.765(17.0)
household size	4.38	.456(22.0)	.368(20.8)	.469(19.8)
number of the employed	1.48	-.436(20.6)	-.349(19.2)	-.541(22.3)
sex		.145(2.6)	.116(2.4)	.130(2.0)
ages	0.058	-.041(.6)	-.043(.7)	-.009(.11)
occupation	0.82	-.092(3.9)	-.078(3.9)	-.102(3.8)
schooling	0.81	-.343(7.6)	-.286(7.5)	-.400(7.7)
number of students	1.96	.015(.93)	.014(.97)	.240(12.9)
number of the aged	0.19	.090(2.9)	.079(3.0)	-.097(2.8)
dwelling type	1.21	-.247(5.3)	-.212(5.5)	-.279(5.2)
rate of health expenditure	0.05	.009(.07)	.032(.29)	.009(.06)
rate of social security expenditure	.105	-.257(1.2)	-.164(.9)	.009(.06)

note: the value of () is t-value

source: Bark, S. I., (1993), p. 78

The main causes of poverty in urban areas in 1991 were the size of the household, employment status of household heads, number of the employed, schooling, sex, occupational types of household heads, but the proxy variables for ages and diseases of household heads do not demonstrate significant relationships. However, the cross sectional analysis with the nation-wide data in 1999 shows a change in main causes from household sizes to the number of employed and occupational types of household heads. And, the ages of household heads and number of the diseased influence statistically significantly impoverishment of poor households in 1999. On the other hand, the impact of household heads declines, may be reflective of universal and drastic expansion of unemployment and poverty in 1999.

VI. The Impact of The Economic Crisis in 1997 to Poverty³

- This chapter is needed for further studies, particularly in the analysis of panel data before and after the crisis, The further analysis will incorporate impacts of changes in macro variables on poverty during the crisis and impacts of concurrent severe poverty on household characteristics, occupational structure, and so on.
- The panel data will include surveys on urban households income and expenditures conducted in every quarter by the National Statistical Office, Daewoo Panel Survey, and so on.

1. Expansion of income disparity

The income distribution has been aggravated continuously beginning at the end of 1997 and reached a peak in the first quarter of 1999 and it is now headed towards a trend of improvement. But it is not clear how quickly the distribution will be improved because Gini index rises again to 0.327 in the 4th quarter in 1999 and the index of 1999, 0.320 is still higher than 0.316 in 1998. In addition, the distributional state has worsened severely being compared with that of 1997.

The income disparity between both lowest and highest class of the income ladder has been more deeply extended. The rate of the occupied income proportion by the upper 20% among total income with respect to the one proportion owned by lower 20% rises from 4.2 in third quarter of 1997 to 5.2 in the same quarter of 1999. Gini coefficient peaks in the 1st quarter and still remains at a very high level of 0.327 in the

last quarter of 1999, resembling the phenomenon of 20 versus 80 found in the western advanced societies.

Table VI -1. The Trend in Income Distribution of Urban Worker Households

	96	97	98	99	99.1/4	2/4	3/4	4/4
Portion of income(%)								
· upper20%	37.9	37.2	39.8	40.2	41.3	39.5	39.0	41.1
· middle 40-60%	53.9	54.5	52.8	52.4	51.6	53.0	53.6	51.5
· lowest 20%	8.2	8.3	7.4	7.3	7.1	7.5	7.4	7.4
Relative rate*	4.63	4.49	5.41	5.51	5.85	5.24	5.29	5.55
GINI coefficient	0.291	0.283	0.316	0.320	0.333	0.311	0.310	0.327

Note: * the rate of income proportion of upper 20% to proportion of lowest 20%
source : National Statistical Office provided the unpublished data

The occupied ratio of income by upper 10% to the one by the lower 10% has deteriorated from 6.5 in the 3rd quarter of 1997 to 8.2 in the same quarter of 1999.

Table VI -2. Distribution of urban workers' household income of lower & upper 10%

(unit, %)							
year	Quarter	Lower 10% 1)			Upper 10% 2)		
		10	20	40	5	10	20
97	1	3.2	8.4	21.7	14.4	23.3	38.1
	2	3.4	9.1	23	13.3	21.9	36.7
	3	3.5	8.8	22.6	13.7	22.6	37.3
	4	3.2	8.9	23	13.7	22.7	37.4
98	1	2.5	7.3	20.1	15.4	25.2	40.3
	2	2.7	7.2	20.2	18.6	27.4	41.2
	3	2.7	7.3	20	16.5	26.1	41.2
	4	2.9	7.8	20.1	16.8	25.2	40.8
99	1	2.7	7.2	19	18.4	28.5	43.4
	2	2.8	7.6	20.1	16.4	25.3	39.8
	3	2.9	7.5	19.8	14.2	23.9	39.2

note:1) the rate of occupied income by lower decile among total income

2) the rate of occupied income by upper decile among total income

³ This chapter is studied by Bark, Soonil

2. The Impact of The Crisis on individual living, region, and social classes

The 1997 economic crisis not only severely influenced the incidence poverty and poverty level, but also damaged many classes, regions, and living areas, changing fundamental structure and substance of poverty. Due to the poverty structure before the crisis a large portion of the poor resided in vulnerable households. Therefore, the households which are of small sizes, aged, disabled and/or diseased, and single parent families are dominated by the poor, and these households also have meager work abilities because of their low level of schooling. The 1997 crisis changed this characteristics of poverty.

First of all, while one and two member households hold 48.7% of the poor when the poverty line was per capita income of 200,000 won in 1996. The percentage was reduced to 28.9% when the poverty line is adjusted to 250,000 won(which is assumed to an equivalent value of 200,000 won of 1996)per capita income in the survey conducted on July in 1999. Meanwhile, the occupied proportion of the poor households by 3 to 4 persons increased to 50.2% in 1999 up from 35.9% mark in 1996.

Table VI -3. Occupied Ratio of Poverty By Household Size

										(unit, %)
Year	1person	2person	3person	4person	5person	6person	7person	8person	9person	total
1996	22.9	25.8	16.0	17.9	11.2	4.7	1.1	0.2	0.1	100
1999	10.6	18.3	18.9	31.3	13.5	5.2	1.6	0.4	0.1	100

source: 96 data from national survey by NSO, 99 data from a nation wide survey by KIHASA

This result reflects that main body of the poor changes from demographic fragile households to households whose members lost jobs. This situation was produced to a great extent after the economic shock in 1997. The rate of the unemployed household excluding workers and business household amount to 28.9% among low income

households under 8,000,000 won of annual income, but the same rate rose to 40.9% in 1999 in spite of the fact poverty criteria and coverage of the unemployed are somewhat different.

The economic crisis damages regions differently, especially contributing to further impoverishment in metropolitan area. This occurs because the economic crisis produced a great amount of the unemployed in small and medium sized firms congested in metropolitan areas, raising the occupied rate of poverty by metropolitan from 39.2% in 1996 to 48.2% in 1999. On the contrary, the occupied ratio, which accounts for small impact of the crisis and poverty in rural areas decreased to a large extent.

Table VI -4. The Occupied Ratio of Poverty By Regions

(unit, %)			
Year	large cities	medium & small cities	rural
1996	39.2	27.2	33.6
1999	48.2	26.8	25.0

source: 96 data from national survey by NSO, 99 data from a nation-wide survey by KIHASA

The economic shock does not change the portion of poverty occupied by female headed households. This implies that the occurrence rate of poverty was larger in male headed households than female headed ones, although women workers were the first employees to be fired in some companies. Therefore, the occupied ratio of poverty in female headed households does not represent a clear change because it changes only 21.4% in 1996 to 20.2% in 1999.

The economic crisis is conjectured to have affected many aspects of livings of the poor household. Residential conditions deteriorated for the poor household. The chartered house or cheonsae (rented house only with large deposits) decreased significantly, while the rented house increased almost two fold, in addition to a sharp

increase of homeless people. The poor households living in chartered houses were able to save deposits, preferring small monthly-rented houses with smaller deposits, increasing the rate 10.9% in 1996 to 19.7% in 1999. At this time poor people seemed to make a greater effort to save money even reducing deposit money for the rent. Taking into account that only 2.1%, of the poor households sold their holding assets in response to the damage of the economic crisis, and that the rate of poor households experienced reduction of saving is 13.1%. The effort that poor households have made to curtail rent deposits are relatively large. This change contributes to making residential situation of poor households more uneasy.

Table VI -5. Change in Residential Types of The Poor Pre And Post 1997 Crisis

	owner occupied house	chartered house	Monthly rent with deposit	(unit, %) monthly rent & others
1996	49.5	29.6	10.9	10.0
1999	48.6	21.5	19.7	10.2

source: 96 data from national survey by NSO, 99 data from a nation-wide survey by KIHASA

Another study on residence of the poor and near poor households in 1999(Yoon, J. H., 1999, p. 12) shows that a large change occurred within the dwelling types of the whole households which experienced moves after the 1997 economic crisis. The proportion of monthly rented houses with deposits increased from 4.0% before the crisis to 11.0% after the crisis. Other types decreased a little. However, the proportions of owner occupied houses and other types decreased respectively from 20.8% to 0% and 6.5% to 0% for the poor households. Meanwhile, the proportion of monthly rented houses with deposits, jumped up to 24.7% from 7.6%. In addition the proportions also rose from 21.9% to 25.2% for chartering whole-houses, 35.4% to 41.2% for partially chartering house, and 7.8% to 8.9% for monthly rent.

Unemployment caused by the economic crisis seemed to increase diseases of the poor. Impoverishment reduces the utilization rate of hospitals and 21.9% of the poor have experienced a complete halt in medical treatment in 1999. This rate is almost the same as 22.7% in 1991 and 24.3% in 1994, which are found in surveys specially designed for poor households. Economic difficulty accounts for 88.3% for halting treatment in 1999. And 0.9% of the poor reduced the size of their houses in order to pay the high cost of medical treatment, which suggests the possibility of deteriorating quality of housing.

VII. The Prospects of Emerging From the Poverty Trap(Park neung hoo)

- This part will conduct analysis by utilizing panel data of urban households surveyed by the National Statistical Office, Daewoo Panel Survey, three surveys conducted by KIHASA since 1998, and others.
- This chapter will analyze whole factors enabling the poor to escape from poverty.

VIII. The appraisals on social safety programs⁴

1. The method of selecting basic livelihood protection groups and their problems

Thus far, the households for social support by the government have been largely confined to such demographically vulnerable groups as the elderly, disabled, and single parents. However, the National Basic Livelihood Protection Act that was legislated in August 1999 and is to be enforced from October 2000, stipulates that any households lacking the means could benefit from these basic livelihood protection programs regardless of their demographic characteristics. Yet, there are some doubts whether means criteria is being accurately implemented in the new Act, considering the present situation of participation in livelihood protection and other support programs for the poor. The participation rate of the low income strata for social insurance is lower than the national average, while their participation rate in social assistance programs is higher than the national average. The attendance rates of the low income strata for medical insurance and for the National Pension System are 79.5% and 31.9% respectively, which are lower than the nationwide rates of 96.9% and 49.9% respectively. The participation rates of the low income strata for employment insurance, public servants pension, and soldiers pension, are also substantially lower. The rates of households receiving unemployment benefits are 0.7% among all low income households, which are very low, compared to the receiving rate of 10% among the total of unemployed. Likewise, the receiving rate of 0.6% for unemployment loans among

⁴ This chapter is analyzed by Bark soonil & Kang sung ho

the low income household is lower than that of 1.6% nationwide rate. However, the rate of participation in public works programs among the low income households is 2.1%, which is the same as the rate for all households, running counter to the expectation that the participation level would be heavily biased towards the low income strata.

Table VIII-1. Participation rate for social security programs among low income strata

(unit: %)																	
Classification	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
low income	31.9	0.4	0.2	0.7	0.3	0.0	5.8	0.0	3.6	0.6	9.5	5.6	19.4	2.1	79.5	0.4	1.8
national statistics	49.9	7.2	1.1	3.3	1.2	0.9	5.0	0.05	1.6	1.6	1.6	2.4	6.5	2.1	96.9	0.4	0.0

Note: 1) 1. Nation Pension System; 2. Public Servants Pension; 3. Soldiers Pension;
 4. Unemployment Benefit; 5. Occupational Training Allowance; 6. Child care Allowance;
 7. Respect for Elderly Pension; 8. Child Education Allowance for Disabled;
 9. Temporary Livelihood Protection; 10. Unemployment Loan; 11. home livelihood proportion; 12. Self-reliance livelihood Protection; 13. Medical Protection; 14. Public Works Programs;
 15. Medical Insurance; 16. Living allowance for Disabled; 17. the rest
 2) National statistics are the ratios of current beneficiaries (members in the cases of social insurance) to national total of households. The population and the number of households are estimated to be 45,921,000 and 13,196,000 households respectively in 1999.

Source: National Low Income Households Survey. July 1999

The participation rate of the low income households in livelihood protection programs, which has been one of the major poverty policy measures together with medical protection program, is 18.7% including those under temporary livelihood protection. It is substantially higher than the participation rate of 5.6% among all households.⁵ Medical security and medical protection programs had a participation rate of 98.9%. This system was the most widely applied to the low income strata as to the

⁵ The ratio of people under livelihood protection coverage to the whole population was 3.8% in 1999 and 3.2 % in 1998.

whole population. The participation rate of low income households in medical protection programs was 19.4% which was significantly higher than that of 6.5% among all households. Nevertheless, as much as 1.1% of the low income strata is left uncovered by social medical programs, which require urgent attention. In addition, the participation rate of the low income strata directed towards occupational training which is necessary for self-reliance, is only 0.3%, far lower than that of 1.2% recorded from the entire population. Therefore the need for the development of work-related assistance programs for low income strata is also considered urgent.

The criteria that determines participation in social assistance are almost same throughout programs for livelihood protection, because such demographically vulnerable households as the elderly, the disabled, and single mothers and others who have no support and low levels of assistance are selected. And, for medical protection, public works programs, unemployment loan programs, the participating households are selected on the basis of lack of means, although some might be a little better off than those under livelihood protection.

However, the survey results of the respondents whose income is below half of the national average, show that the means criteria are anticipated to have difficulties in exact application. If low income households are divided into participants and non-participant in social assistant programs, and then if we analyze relationships between participation and the demographic characteristics of each group of households, such variables as per-capita income level, single person households, and single parent status were estimated to show statistically insignificant role in determining the participation/non-participation in social support programs. The following formula was estimated employing the Probit model.

$P = F(\text{per-capita income level of household, number of employed in household, number of disabled, age of the householder, region dummy variable, household type dummy variable, dummy variable for education level of householder, sex of householder dummy variable})$

To obtain the value of the dependent variable P , the participating households in social support programs were given the value of 1, while the non-participating were given the value of 0. In this equation, the region dummy variable consisted of the rural as a standard against metropolitan and medium to small cities, household types consisted of the boy and girl householder as a standard against normal, one person, single mother households. The standard household is on the lower end of the education scale received education only until high school, and the sex of householder comprised female as standard. As a result, the statistically significant variables included the number of disabled, metropolitan, education level, and sex. It is to be noted, however, that there was a high correlation between variables such as the number of disabled and the number of employed, between age and one person households, between household types, and between metropolitan and medium to small cities (0.518, 0.326, 0.826, 0.462, 0.516 respectively). Hence individual variables were regressed separately. Consequently⁶, the number of people employed, age, normal household variables were

⁶ When regression analyzing the number of employed, age, household type variables separately on participating/ non-participating variable, the following significant estimates, unlike from multiple variable analysis, are obtained. Although the single regression analysis commits the error of variable omission, it indicates significant statistic in the direction of lateral relationship and is to be justified as significant.

$$P = -0.41115 + 0.000203 \text{ JOBNUM}$$

(5.08) (2.32)

$$P = -1.5069 + 0.01712 \text{ AGE}$$

judged to have been significantly influential in determining participating/non-participating status.

The result of this analysis in participating/non-participating social support programs is as follows.

$$\begin{aligned}
 P = & 0.1447 + 0.000262 \text{ PERINCOM} + 0.000034 \text{ JOBNUM} + 0.000308 \text{ DISANUM} \\
 & (0.30) \quad (1.37) \quad (0.33) \quad (3.87) \\
 & + 0.003889 \text{ AGE} + 0.19370 \text{ REGG} + 0.41564 \text{ REGM} - 0.69085 \text{ FAMG} \\
 & (1.35) \quad (2.39) \quad (0.43) \quad (1.62) \\
 & - 0.27196 \text{ FAMS} + 0.27196 \text{ FAMF} - 0.30732 \text{ EDU1} - 0.24895 \text{ SEX} \\
 & (0.15) \quad (0.60) \quad (3.70) \quad (2.65)
 \end{aligned}$$

$$X^2 = 221.1, \quad \text{Sig.} = .00000 \quad N = 1787, \quad \text{Log Likelihood function} = -944.0$$

Note: PERINCOM :income per capita in household, JOBNUM : number of employed in household, DISANUM : number of disabled, AGE : age of householder, (region dummy variable) REGG: metropolitan , REGM: medium to small city, (household type dummy variable) FAMG normal household, FAMS one person household, FAMF single mother household, EDU1 :education level of householder (higher than high school = 1), SEX : sex of householder (male = 1)

While a slightly significant correlation of the income variable with the number of employed and the age of householder⁷ might mislead the estimation, it does not seem to act as a

$$(12.19) \quad (7.80)$$

$$\begin{aligned}
 P = & 0.33422 - 0.10346 \text{ FAMG} - 0.12951 \text{ FAMS} - 0.09717 \text{ FAMF} \\
 & (.79) \quad (2.61) \quad (.30) \quad (.22)
 \end{aligned}$$

⁷ The correlation between income per capita in household and other variables are as follows:

JOBNUM -0.052; DISANUM -0.089*; AGE -0.132**; REGG 0.0062*; REGM -0.027; FAMG 0.012; FAMS 0.005; FAMF -0.024; EDU1 0.053*, SEX 0.000 (* and ** mean that the

statistically significant variable in determining participation/non-participation in social support programs, for its statistical significance level in single regression was also merely 1.66⁸ at value. This means that the criteria of income levels are not strictly followed in selecting households for social support. Neither one person households nor single mother households played a crucial role in determining participation in social support programs. Yet, the number of employed and the number of disabled, and elderly, living in metropolitan areas, in comparison to normal household, and education level of householders, sex of householder were important in determining participation. Therefore, the income level and household characteristics criteria, which have legally represented major criteria for selecting the group for livelihood protection and other social support, have been found to be less than satisfactory.

As a result, the poor strata who participate in at least one of those social security programs of social support character open only to poor and vulnerable people – excluding the overlap with other programs such as medical protection – account for 27.6% of all poor household⁹. However, the majority(18.7%) includes those who participate in the livelihood protection programs. Moreover, the poor households participated in cash aid programs are even lower. The participation rate in cash program such as livelihood protection, child care allowance, respect for elderly pension, child education and living expense allowance for disabled, public welfare works, excluding overlapping benefit is no more than 18.5%.

Restricting the poor strata with only those households below the minimum living cost, not a few number of households are often mismatched with the income criteria. When applying real

correlation is significant at $\alpha = 0.05$ and 0.01 respectively.

⁸ $P = -0.578 + 0.000305 \text{ PERINCOM}$

(18.3) (1.66) N = 1787

⁹ If not excluding the overlap with other social support programs, the rate rises to 44% approximately.

value of the 1999 selecting criteria for the group for livelihood protection, connected as the lower limit of poverty line in 1999¹⁰, the rate of those participants for social assistance programs whose income exceeded the income criteria for livelihood protection was 16.2%. The possibility of an improper selection would be larger. Thus, the problem of the lack of precision in selecting the beneficiary group looms large. This problem is especially grave among participants in social support programs with the household size of 3 to 5 persons. The exactness in selecting for subsistence benefit such as home protection seems to be quite high, whereas the income criteria for selecting self-reliance might be considerably inaccurate. As for the non-participants in social support programs, the rate of the poor below the selection criteria set by government turned to be high among the household size of 1 to 3 persons. Yet, the rate of participating households in medical protection programs who are above the income criteria for livelihood protection was 11.8%, which indicates that most of the households under medical protection are confined to those having similar living standards with the households under livelihood protection. Therefore, by adjusting the income criteria for medical protection, the medical needs for poor people may be realized.

In addition, the vulnerable households are unprotected by government. 16.3% of these vulnerable households were under investigation, only a fraction participated in social support programs. While 24.3% of the participating households in the programs were one person households and 6.2% of them single mother households, 41.3% of one person households and 35.8% of single mother households under poverty did not participate in any social support programs.

¹⁰ The real minimum cost of living in 1999 produced from the estimated minimum cost of living in 1994 multiplied by GDP deflator is akin to the subjective minimum cost of living investigated in 1999.

Table VIII-2. The Rate of poor households below the selection criteria for livelihood protection across different household sizes

(unit: 10,000 won)

	Average	1 person	2 persons	3 persons	4 persons	5 persons	6 persons	7 persons
Participating	83.9	88.7	92.1	78.6	76.0	84.2	93.3	50.0
Non-participating	70.4	87.3	79.3	74.6	62.6	65.7	67.7	82.3
Average	74.2	88.1	83.3	75.6	65.6	69.0	72.5	78.9

Note: The estimates were produced with the application of household multiplier to the selection criteria for livelihood protection.

The households larger than or equal to 8 persons, 135 in total number, are not taken into consideration.

Source: Conditions of Lower Income Household Investigation. July 1999

Table VIII-3. Distribution of household types participating/non-participating in social support programs

(unit: %)

	One person	Single mother	Single father	Underaged householder	normal
Participating	24.3	6.4	2.3	1.2	65.8
Non-participating	6.8	1.8	0.3	0.3	90.8
Average	11.8	3.1	0.9	0.5	83.7

Moreover, as for households with elderly heads, 58.6% of households older than 65 years old and 53.4% of households older than 70 years old did not participate in social support programs. Households whose heads are older than 65 years old account for 26.1% of total lower income households while those with older than 70 years old householder account for 17.7%. Households with female heads account for 23% of the total, 50.8% do not participate in social support programs.

Lone parent households accounts also 27.3% for lower income households. They are decomposed to 3.8% for the unmarried, 3.5% for the divorced, 1.1% for the separated, and 18.9% for the bereaved households. Among them, the participation rates into social assistance programs are respectively 56.4%, 52.6%, 63.2%, and 50.5%.

Table VIII-4. Women and elderly heads of the household participating/non-participating in social support programs

(unit: %)

	Female householder	Householder over 60	Householder over 65	Householder over 70
Participating	40.0	45.3	38.3	29.3
Non-participating	16.4	31.8	21.5	13.2
Average	23.1	35.6	26.1	17.7

With disabled householder accounting for 6.1% of all low income households¹¹ and chronic diseased householder accounting for 23.8%, households under poverty either with disabled or chronic diseased householder occupies as much as 29.9% of all low income households. However, 34.3% of households with disabled householder and 59.4% of households with chronic diseased are excluded from social support programs.

Table VIII-5. Marital status of householders participating/non-participating in social support programs

(unit: %)

	unmarried	Married	divorced	Widowed	separated	others
Participating	5.9	51.9	6.0	33.2	1.5	1.6
Non-participating	3.0	79.7	2.6	13.2	1.0	0.5
Average	3.8	71.8	3.5	18.9	1.1	0.8

Income tends to decrease with the size of household.¹² 43.2% of the all households participating in social support programs are one or two person households and they are mostly elderly. However, there are many non-participating households among them. That is, 40.3% of low income one person households and 69.0% of low income two persons households stay

¹¹ The unregistered for disability account for 1.2% of all households with disabled householder, which often leads to underestimation. However, the disabled households occupy 3.9% of all households and the disability rate among the lower income strata is almost twice the rate in the all households.

¹² The size of households participating in social support programs is 2.82 persons at average, which is smaller than 3.5 persons for non-participating households. Especially, the proportion of one person households is significantly higher.

outside social support programs.

Table VIII-6. Distribution of the number of members of households participating/ non-participating in social support programs

	(unit: %)								
	1 person	2 persons	3 persons	4 persons	5 persons	6 persons	7 persons	8 persons	9 persons
Participating	24.9	18.3	18.7	25.8	8.6	2.7	0.9	0.1	0
Non-participating	6.7	16.2	19.4	35.5	14.4	5.7	1.6	0.3	0.1
Average	11.9	16.8	19.2	32.8	12.7	4.9	1.4	0.3	0.1

Of low income households, those with working householders, including full time, part time, daily hand, temporary, account for 52.7%, although only 33.9% of all households are working full time. This statistic tells us that working/jobless and the number of employed seem to play an important role in deciding who should participate in social support programs. Yet, most of poor strata with part time of 1.4%, temporary of 2.1% and daily hand of 15.3% are excluded from social support programs. That is to say, 51.3% of low income households with householder lack of working ability, 64.5% of those with daily hand householder, 75.0% of those with manual laborer householder, 87.5% of those with part time householder stay outside of any social support programs.

Table VIII-7. Main activity of householder participating/ non-participating in social support programs

	(unit: %)													
	Full time	Part time	Daily hand	Job seeking	No work	Manual	Job training	Private schooling	At home	Work inability	Voluntary service	Other	Temporary	No response
Participating	13.7	0.6	19.1	7.7	4.3	1.6	0.2	0.0	3.1	35.6	0.0	8.6	5.4	0.0
Non-participating	41.8	1.8	13.7	10.0	5.0	1.8	0.0	0.0	3.5	14.9	0.1	6.3	0.8	0.3
Average	33.9	1.4	15.3	9.4	4.8	1.7	0.1	0.0	3.4	20.8	0.1	6.9	2.1	0.2

In addition, many low income householders are involved with self-employment (24.4%),

manual work (16.4%), or service/sales (4.4%), which amounts to 45.2% in total (47.1% when production work is included).¹³ Of them, those households not participating in social support programs account for 88.5%, 59.6%, and 83.0% respectively. Therefore, it is found that, with householder working, even low income strata are mainly excluded from social support programs. That is to say, the social support programs in Korea are not favorable to the employed.

Table VIII-8. Occupation of householder participating/ non-participating in social support programs

	(unit: %)											
	Public Servant	Profes sional	Tech nolo gical	Adminis trative	Producti on	Service/ sales	Manua l	Private school teacher	Self- employ ed	Stud ent	House wife	other
Participating	0.0	0.4	1.9	0.5	1.0	2.7	23.4	0.0	9.8	0.0	4.0	56.3
Non-participating	0.1	0.9	4.4	1.6	2.3	5.1	13.7	0.0	30.2	0.2	3.2	38.3
Average	0.1	0.8	3.7	1.3	1.9	4.4	16.4	0.0	24.4	0.2	3.4	43.4

2. Welfare needs of the poor and the target range for the National Basic Livelihood Protection

1) The contents of benefits needed for Basic Livelihood Protection

Poverty-stricken households maintain living costs mainly through labor income of other family members and aid from relatives or close acquaintances, and often end up dependent upon social assistance and falling into debt. However, except for the governmental programs such as public works and livelihood protection, etc., the households participating/non-participating in social support programs show significantly different pattern of dependency. The non-participating households depend strongly on their own efforts, such as earned income by family members, savings,

¹³ The householders with occupations in public service, professional, administration or technological account only for 5.9%.

cultivating and selling farm products, other retirement allowance, or property sale. As for the participating households, they tend to rely more on external help such as support from social organizations, e.g. religious bodies, or neighbors' aid (see Table VIII-9).

Table VIII-9. Main ways for the maintenance of livelihood for participating and non-participation household in social support programs

	(unit: %)																
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Participating	21.0	0.8	12.4	6.3	0.9	0.8	10.1	2.7	4.5	0.2	7.1	0.5	26.5	0.4	3.5	0.5	1.5
Non-participating	29.6	2.5	14.3	16.0	2.6	2.7	14.0	0.7	2.4	0.9	1.3	0.3	0.4	0.2	10.2	0.4	1.7
Average	27.1	2.0	13.7	13.1	2.0	2.1	12.9	1.3	2.9	0.7	3.1	0.4	8.2	0.3	8.1	0.4	1.7

Note : 1) Family members' earned income, 2. Retirement allowance or retirement pay, 3. Aid from relatives and close acquaintance, 4. Savings, 5. Income from assets and interests, 6. Property sale, 7. Debt, 8. Social associations' support, 9. Aid from neighbors, 10. Unemployment benefit, 11. Public labor work, 12. Governmental loan business, 13. Governmental livelihood assistance, 14. Vocational training allowance, 15. Agricultural product sale, 16. Joining other members of their own family, 17. Others

2) It was asked to select 4 important methods out of 17 methods of family support. The number of responding households are 1,610. The number of responses from participating households is 948 and that from non-participating households 2,240 (total 3188 responses).

While some low-income households use earned income of members as the main source for family support, other low-income households of similar size receive cash, actual goods or loan from their parents, close acquaintance and neighbors. In the present survey, it is found that 28.6 % of the low-income households get help in the form of cash from their parents and close acquaintance. However, the transferred income is a main source for living in only 13.7 % of these households. In addition, the proportion of households with "the transferred income" is higher for non-participating group (29.1 %) than for participating group (27.6 %).

As for debts, the percentage of people who fell into debt is higher for non-participating

households (59.6%) than for participating households (46.6%); and 21.7% of non-participating households claimed that the burden of living cost was the main reason for getting into debt. The similar percentage in the same group (22.7 %) chose housing expenses as the reason for debt. However, a substantial proportion of participating households (29.3 %) also run into debt for day-to-day living expenses. The percentage of households in debt caused by basic livelihood provision such as day-to-day living, medical, schooling, and housing expenses is 56.9 % low-income households; 65.4 % of the low-income households participating in social support programs and 54.4 % of non-participating households. This means that a significant proportion of low-income households needs basic livelihood protection.

Table VIII-10. Comparison of the main causes for debts of participating and non-participating households in social support programs

(unit: %)												
	School expense	Medical expense	Living expense	Housing	Car purchase	Other consumer Durables	Farming fund	Business fund	Pay- back of debt	Cere-monial occasions	Others	Total
Participating	5.1	14.7	29.3	16.0	0.8	0.3	5.5	14.2	6.8	3.0	4.1	46.6
Non-participating	6.1	3.7	21.7	22.7	1.7	0.6	13.9	19.3	3.8	1.0	5.3	59.6
Average	5.8	6.5	23.5	21.1	1.5	0.5	11.9	18.1	4.5	1.5	5.0	55.9

Of those debt households participating in social assistance programs, 14.7% (6.5% of all low-income households) fell into debt because of medical expenses. Considering their extreme poverty, the self-burden of the medical security system alone must be heavy for them. In addition, with no social support system for housing expenses, 16.0 % of participant low-income households and 22.7 % of non-participating low-income households fell into debt in order to maintain their poor housing. This implies that there is a high need for a protection against overbearing housing expenses. Also, the households in need of medical and housing support account for 17.3 % of all low-income households, and 55.9 % of these low-income households are in debt. In addition, 51.1% of these households fell into debt to maintain a basic livelihood, which includes day-to-day

living, medical, and housing expenses (excluding school expenses). Therefore, 29.9% of low-income households who maintain their basic living by external help are considered to need governmental support.

The nature of debt for the poor is mostly bank loans; 42.1 % of households are under general loans, while 17.4 % bank loans are government supported. However, compared to the percentage of non-participating households with bank loan (65.4 %), the percentage of the participating households with bank loans is significantly lower (39.9 %), whereas the percentage of the latter group that borrowed money from close acquaintance and neighbors (49.3 %) is higher than those of the former group (28.0 %). Since the households participating in social support programs do not promptly borrow bank loans owing to the their lack of guaranteeing ability, reforms in loan guaranty system are in need.

Table VIII-11. Sources of debt in households participating and non-participating in social support programs

	Relatives	Neighbors	Friends	Government supported loan	Bank loan	Private money lender	Others
Participating	18.6	18.5	12.2	12.0	27.9	4.6	6.2
Non-participating	14.7	7.5	5.8	19.0	46.4	4.4	2.2
Average	15.6	10.1	7.3	17.4	42.1	4.4	3.2

For 39.9 % of all low-income households, 49.6 % of the low-income households participating in social support programs, and 35.9 % of the non-participating households, stated that the most desired governmental support is for food expenses. This result shows that low-income households still have substantial difficulties maintaining minimum livelihood protection. In addition, 7.7% of all low-income households prefer support for rent accounts. If expenses for housing maintenance is added, 26.7 % of low-income households prefer support for housing needs. Therefore, it is found that needs for housing is very high although support for school and

medical expenses is urgently required. Thus, while cash support is most important for the protection of basic livelihood, support for housing expenses should be introduced. Demand for medical protection is also still high. In addition, needs for schooling support is especially high in non-participating households. Therefore, to provide basic livelihood protection effectively, strengthening and extension of the relevant systems to include housing, medical protection, and food & clothes, etc., should follow.

Table VIII-12. Areas of most needing support among low-income households

	Food expenses	Housing expenses	Rent	School expenses	Medical expenses	Training expenses	Others
Participating	49.6	14.7	9.5	12.7	10.5	1.9	1.0
Non-participating	35.9	20.8	7.0	19.6	12.1	1.8	2.7
Average	39.9	19.0	7.7	17.7	11.6	1.9	2.2

(unit: %)

As for actual situation of and needs for health and medical treatment, the low-income households suffering from serious diseases or diagnosed as being in very bad health, account for 4.8 % of all low-income households. Also, 0.5 % of households have more than two members having those health and medical problems. The state of health in the households participating in social support programs is even worse, with 27.4 % of them in very bad health and suffering from serious diseases. The percentage goes up to 62.3 %, when including households in bad health. Thus, for them, in addition to the present medical protection allowance, supplementary medical service is in demand.

Also, during the last 3 months, 21.9 % of low-income households had experiences of stopping or relinquishing medical treatment. The percentage of households with these experiences is higher for the households participating in social support programs (30.6 %) than for the non-participating households (18.5 %). This survey tells us that even though our medical protection and insurance systems make it possible for them to pay a lower rate of self-burden for medical

service, that alone is not enough to satisfy the medical needs for the low-income households. Thus, the low-income households prefer a health insurance rate lower than the present level (57.9%) and governmental support for expensive medical treatment (32.7 %) to loan policy. This preference is observed in both participating and non-participating households at a similar degree.

Table VIII-13. Comparisons of results of health inspection between the households participating/non-participating in social support program

	(unit: %)					
	Excellent	Good	Bad	Very bad	Suffering from grave diseases	No. of respondents
Participating	2.1	37.0	34.9	11.0	16.4	146
Non-participating	3.2	54.7	30.8	6.4	4.7	344
Average	2.9	49.3	32.4	7.7	8.1	Total: 490

As for the top reason why they suspended or gave up their medical treatment, 88.3 % of the households answered financial difficulty. This means that 19.1 % of all households, or 24.8 % of the low-income households participating in social support programs are in need of supplementary emergency medical service in addition to the existing medical protection and insurance. Also, another major reason, “no improvement of ill condition” (28.1%), is relatively small and the rest of the reasons together constitute the majority¹⁴. Such reasons as reductions in income due to suspension of work (22.5 %), no other people to take care of the family (11.5 %), and the necessity to travel long distance in order to receive medical treatment (12.7 %) account for 46.7 % in total. The summed percentage rises to 68.5 % when other reasons are included. The results of this survey imply that for the basic medical protection, and relevant services, such as transportation and personal welfare service need to be provided in addition to the medical services.

Also, during the last year, 9.2 % of low-income households have experiences in paying for expensive medical treatment of over 1,000,000 won, and the sources of expenses came mainly from savings (28.1%), aid from their parents (2.9%), or aid from their children (23.7 %). This

¹⁴ Two answers are requested in order of importance

means that many households found the expense source within their family. However, aid from close acquaintance and friends (18.5%), reduction of deposit money for the lease of a house (0.9 %), property sale (3.4%), loan from financial institution (5.9 %), and debts (10.8%) become total 39.5%. Therefore among the households which have experienced expensive medical treatment, many of them (3.6% of the whole low-income households, which becomes 4.2% including households with other sources (5.8 %)) are in need of basic medical protection.

Table VIII-14. Reasons for suspending or relinquishing medical treatment in low-income households(top reason)

	Financial difficulty	Reduction of income due to suspension of work	Waiting hour for medical treatment	Long Distance to hospital	No other person to take care of the family	No prospect for good prognosis	others	no opinion	(unit: %) percentage in the whole households
Participating	83.1	2.3	2.7	3.1	0.8	4.4	1.7	1.0	30.4
Non-participating	91.0	1.7	1.5	2.0	0.3	2.2	1.3	0	18.2
Average	88.3	1.9	2.0	2.4	0.5	3.1	1.4	0.4	21.6

In the case of the households participating in social support programs, expenses for medical treatment depend mainly on aid from friends and close acquaintance (32.0 %) and savings (21.5 %), the households are thought to have many difficulties in medical treatment. On the contrary, non-participating households show contrastive family characteristics; that is, they depend on expenses dealing mainly with the aid of their children (28.8 %) and savings (30.6 %). The rate of dependence of the medical expenses on the property sale, loan and debt is higher in the households non-participating in the social support programs, such as medical protection program.

Generally, 20.9 % of households feel uncomfortable because of medical expenses, and believe that the medical protection system must be reformed. Especially, the majority of households participating in the social support think that the medical expenses are a very heavy burden, and thus the reform of the medical protection system for the low-income households is necessary.

Table VIII-15. Sources of the expenses for expensive medical treatments in the low-income households

(unit: %)

	Savings	Aid from parents	Aid from children	Aid from close acquaintance or friends	Reduction in rent deposit	Property sale	Financial loan	Debt/private loan	Others	Percentage against all households
Participating	21.5	4.4	10.4	32.0	3.3	1.4	7.4	7.5	11.9	8.5
Non-participating	30.6	2.3	28.8	13.3	0	4.1	5.3	12.1	3.5	8.9
Average	28.1	2.9	23.7	18.5	0.9	3.4	5.9	10.8	5.8	8.8

In terms of the actual housing conditions and desire, from the comparative analysis of the housing types of the low-income households, it is found that the percentage of households that live in their own residence is very low. Furthermore, the rate of owner-occupied house is much lower for the participating households in the social support programs than for the non-participating households, while the former shows significantly higher percentage of living in a permanent rental apartment than the latter does. The participating households in the social support programs show a higher percentage living in monthly rental, rental for free, and permanent rental public apartments, than the non-participating households.

Table VIII-16. Comparison of housing types of participating and non-participating households in the social support programs

(unit: %)

	Own residence	Deposited rent	Monthly rent with a deposit	Monthly rent	Permanent rental apartment	Rent for free	Others
Participating	34.6	10.0	9.4	5.5	33.3	6.9	0.4
Non-participating	56.1	22.4	9.9	3.5	4.5	3.3	0.3
Average	50.0	18.9	9.7	4.0	12.7	4.3	0.3

However, not a small amount of the low-income households which live in monthly rental, rental for free, and permanent rental apartments, do not participate in the social support programs. For example, 70.5 % of the low-income households in monthly rent, 58.0 % of the households in free rental, and 25.4 % of the households in permanent rental apartments do not participate in the social support programs, and thus it can be deduced that these families want

significant government support for housing expenses.

According to the residential environment, participant households in social support programs live more in the concentrated area with the poor, areas with noise, bad smell, lack of sunshine, and embankment in dangerous conditions, etc.. And non-participant households also live in a bad environment in a similar percentage, and almost half of the poor (44.4 %) live in a bad environment. Therefore, to protect a basic housing life, in addition to the support for housing expenses minimum housing life has to be protected throughout improvement of bad housing environments. The rest of housing facilities for most of the low-income households are also in bad conditions, and thus for the long run the basic livelihood protection has to contain the offer of the minimum convenient and stable housing facilities.

Table VIII-17. Comparison of residential environments for the participating and non-participating households in the social support programs

	General residential area	Residential area for the poor	Area with noise and foul odor	Area adjacent to a factory district	Business section area	Area with lack of sunshine	Area of permanent rent	(unit: %) Unsafe area with embankment in dangerous conditions
Participating	82.4	15.7	15.1	2.5	7.6	11.5	34.1	10.9
Non-participating	89.2	6.6	15.5	3.1	11.1	10.1	6.9	8.6
Average	87.3	9.2	15.4	2.9	10.1	10.5	14.6	9.3

2) Target range for basic livelihood protection and level of benefits

Firstly, the applicable targets for the basic livelihood protection for year 2000 must be significantly enlarged, after the exclusion of incongruent households among those participant at present, even when real value of the 1994 minimum living cost is used as a poverty line. If we classify the households earning below 50% of median income into the poverty strata as the OECD standard, the target for the basic livelihood protection will expand far more. Even with other methods, the size and range of the

targets for the basic livelihood protection seem to be very large. In order to meet living costs, households non-participating in social support programs, mainly rely on an earned income of family members, spending of savings, agricultural products sale, and participation in governmental aid programs. However, of low income non-participating households, 31.1% count on aids from relatives and close acquaintance, debt (28.3 %), aids from neighbors and joining with the other members of their own family (2.8 %), etc., to be out of difficulty in meeting cost-of-living by their own efforts. Among the households participating in social support programs, 27.5 % said that even with the governmental support they receive they need additional aid from other people to manage their living. In total, 29.9 % of households maintain living by receiving others' aid or getting into debt regardless of support from government and social support organizations. However, to support a family, 27.2 % of the low income strata receive an aid from relatives and close acquaintances, 25.5 % get into debt, 5.8% obtain the aid from neighbors, 0.8% join other family members; 49.4 % of all households belong to one type or another of categories mentioned above. They are the targets for cash assistance to protect minimum basic livelihood.

Secondly, when estimating the size of the targets for health and medical policy, according to the results of medical examination carried out during the last year, approximately 26.3 % of the low-income strata seem to be free of health problems. The results of their health examination said that 52.2 % of the low-income households are in good health. However, 7.7 % of responding low-income households have members in very bad health, and 8.5% of households have members suffering from grave diseases. They account for 4.8% of all low-income households, and thus at least they are the target households for the basic livelihood protection in need of imminent health medical

service. The households in poor health included, 14.7 % of the low-income households must be targets for the basic medical protection at any rate. In addition, during the last 3 months 21.9 % of responding low income households and 21.8% of the whole low-income households have experienced suspension or relinquishment of medical treatment. Therefore, targets for the basic medical protection are extended to at least 19.0 to 34.0 % of all low-income strata. Taken into account are those households suffering from serious diseases or in very bad health (4.8 to 14.7 % of all low-income households), households with suspension or relinquishment of medical treatment because of money (19.1 % of low-income households), and households having possibility of need of a large amount of money for medical treatment (3.6 to 4.2 %), 24.3 % of households face at least one of the three problems mentioned above. Therefore, they are the households in need of additional basic medical service as well as benefit provided by present medical protection system. Even though their income level is higher than that of the recipient households under livelihood protection, the target group should be protected by government aid programs in order to satisfy the minimum medical needs.

Thirdly, the basic housing protection should be provided in the form of cash support to 26.7 % of the low-income households whose first priority is housing cost support. Also, minimum housing facilities and improvement of housing environment have to be offered to 34.9 % of the low-income households suffering from such problems as noise, foul odor, poor ventilation, lack of sunshine, and unsafe housing facilities. Households with the housing cost support as top priority and households with poor housing environments together account for 45.6 % of all low-income households. This implies that housing welfare is a major subject.

Fourthly, the education level of householders in low-income households is low

in general, and very low for those in the households participating in social support programs. For example, those lacking any schooling account for 32.0% of the participating households, but for only 15.5 % of non-participating households. Those lacking any schooling and elementary school graduates (or drop-outs from elementary school) are 64.3% in participating households compared to 37.2% in non-participating households, showing significant difference between the two groups. However, even among those with low education level and low income, the participation rate in the social support programs is low. Of the householders lacking schooling, which occupies 20.2 % of all low-income strata, only 45.0 % participate in social support programs. Therefore, since education level is an important factor in determining income level, cash support and education-related service for children of the low-income households are very important in protecting basic livelihood of 17.7% of the low-income households that put schooling support as the top priority.

In addition, of 40.2 % of the low-income households experiencing difficulty in giving proper care for their children, those households voicing as top priority in support child care and schooling support were 7.7% and 55.1%, respectively. They together account for 25.3 % of all low-income households. However, 12.0 % of the responding households (or 2.1 % of all low-income households) said that they failed to provide a school lunch-box for their children at least one time a week. Since 26.2 % of the low income households cannot prepare the school lunch-box, prefer schooling support or child care allowance most, they can be regarded as targets for the basic education support.

From the results obtained, in the poor households below 50 % of the urban workers' mean income, the order in social support needs, even though different in their

intensity is found to be as follows; cash support (49.4 %), housing (45.6 %), education (26.2 %), and medical service (24.3 %). The households needed social support are 83.1 % of all low-income strata, and of them, those households in need of single support including cash support (15.3 %) is 37.4 % of all low-income households, while the rest need multiple supports. Especially, 2.0 % of all low-income households need four different supports concurrently, and 12.6 % of households are in need of 3 different supports.

Table VIII-18. Proportion of households in need of basic livelihood support against all low-income households

(unit: %)

Total	All supports Needed	Three supports Needed				Two supports needed						Single support needed			
		C,M,H	C,M,E	C,H,E	M,H,S	C,M	C,H	C,S	M,H	M,S	H,S	C	M	H	S
83.1	2.0	5.8	1.2	4.2	1.4	4.7	11.9	4.3	3.2	1.7	5.3	15.3	4.3	11.7	6.1

Note: C-cash support, M-health medical support, H-housing support, and S-schooling support

Therefore, if the poor households with less than 50 % of mean income account for 20 % of all households, then 16.6 % of all households are in need of social support of any form; 3.1 % of all households need only cash support, and 9.9 % require two supports, in cash and another. And, 10.1 % of all households need supports other than cash. In addition, households in need of cash and medical supports which are the cores of government aid programs, account for 24.3 % of the low-income support (only 4.9 % of all households), the rest of households are those in need of more supports; thus this implies that, along with the contents of needs described in the previous chapter, various developments in the benefit system should be effective.

From the perspective of other welfare services, the targets for basic livelihood protection can be estimated. In terms of sex and age of householders, there are

demographic differences between participating and non-participating households. That is, 40.0 % of low income householders participating in the social support programs, are female, while in the non-participating households, female householders account for 16.4 %. In addition, 45.3 % of householders participating in social support programs are over 65 years old, while only 31.8% of them in non-participating households are over 65 years old. However, many female and elderly householders in the low-income households stay outside social support programs. Of 50.8% of female low income householders and 53.4 % of the low income householders over 70 years old are non-participating in social support programs. This is to say, more than half of the low-income households with over 70 years old householders are excluded from such basic social programs as respect for old age pension, medical protection, and etc. Therefore, of 50 % of the female low income householders and 60 % of elderly low income householders over 70 years old, many are considered to be preferentially the targets for the basic livelihood protection.

Needless to say, dismantling of family undermines financial power of household significantly and causes the degradation to the poor. Half of these households stay outside the minimum protection programs provided by the government. Even though the percentage of widowed and divorced households is very much higher in participating than non-participating groups, as much as 50.0 % of widowed households and 52.6% of divorced households in low-income strata are excluded from any social support programs.

In addition, of low-income household heads, 1.5% of participating households and 1.0 % of non-participating households are forced to live separately within the household. Of household members, 16.4 % in the participating households and 21.4% in

the non-participating households are not cohabiting. Therefore, for around 50% of widowed and divorced low income households, basic livelihood protection is in need, while the basic protection has to be fortified for the households with vulnerable structures such as separated, etc.

In local community activities such as alumni associations, hobby meetings, welfare center meetings, 24.5% of the poor class participate while only 17.2% of the households participating in social support programs do(as against 27.4% of the households non-participating in social support programs). Among the reasons for not participating in community activities, only 24.9% attributed it to the lack of time. The main reasons were that they did not have physical strength or ability, and that they did not have enough money for those activities. Especially, in the case of households participating in social support programs, 41.4% said that they did not join community activities due to the lack of physical strength or ability. Yet, for those who do not take part in community activities due to the lack of money or the lack of suitable activities, support leading to social activity should be rightfully included in basic livelihood protection.

Table VIII-19. Cases in which low income householders cannot participate in the social community program

	(unit: %)				
	Lack of time	Inappropriate activity contents	Lack of physical strength and ability	No money for activities	Others
Participating	12.9	5.0	41.4	29.8	10.9
Non-participating	25.9	10.7	26.6	26.6	10.2
Average	21.7	8.8	31.4	27.7	10.4

To assess the level of benefits, and especially the level of cost of living benefits, the degree of their poverty in earning and spending needs to be investigated. First, although the low income households participating in social support programs usually

operate at a deficit, the size of their deficit is smaller than that of the non-participating households. However, notwithstanding their participation in social support programs, they are in the deficit of average 73,000 won or 21.3 % of income. Their average income level at present wants 159,000 won to meet the their claimed average minimum living expenses of 501,000 won. Thus, to maintain the minimum level of living, 46.5 % of the present income needs to be added. As for the households non-participating in social support programs, 54.8% of their present income is need as an additional income. For their average income is merely 64.6 % of the subjective minimum living expenses (697,000 won or 805,000 won in the case of a household with four members). When applying the 1994 minimum cost of living by size of household and adjusted by GDP deflator which is thought to be a lower limit of poverty line in 1999, the minimum cost of subsistence for average households (with 2.82 members) participating in social support programs is 669,000 won. As for the average non-participating households (with 3.56 members), the minimum substistence cost is 795,000 won. Therefore, the additional amounts of money needed to maintain minimum living for the two categories of households are to be in the range of 327,000 won to 345,000 won. With the estimated minimum poverty gap of 130,000 won to maximum 340,000 won for each household, the size of fund needed for income security of basic livelihood protection could be in turn estimated.

The difference between income levels of the low-income households participating and non-participating in social support programs is 108,000 won. If the larger size of non-participating households is taken into consideration, non-participating households are not greatly better off . Thus, the difference in income level may not be a crucial factor in differentiating participation from non-participation. With the median

and mode income levels of 450,000 won and 500,000 won respectively for the non-participating households, much lower than their subjectively estimated minimum subsistence cost, a substantial number of the non-participating households live with money less than the minimum living costs. That is, many households whose income level falls into the target range for social support programs, do not participate in the programs because of other incongruent conditions, because of the lack of will, or because of the exclusion from the administrative selection.

Table VIII-20. Income and consumption levels of the low-income households

(unit: 10,000 won)

	Average income	Median income	Standard deviation	Minimum	Maximum
Participating	34.2(41.5)	30.0(29.0)	23.7(34.0)	0(1)	120(400)
Non-participating	46.5(60.0)	45.0(50.0)	32.3(39.8)	0(0)	140(400)
Average	43.2(54.6)	40.0(50.0)	30.5(39.3)	0(0)	140(400)

Note: () refers to spending level.

Table VIII-21. Subjective minimum living expenses of households participating and non- participating in the social support programs

(unit: 10,000 won)

	Average	Median	Mode	Standard deviation	Minimum	Maximum
Participating	50.1	50.0	50	29.8	3	150
Non-participating	69.7	60.0	100	40.6	1	260
Average	64.2	55.0	50	38.9	1	260

3. Targets for the public welfare and their needs

1) Needs related to productive welfare

Low-income households possessing the ability to work at the least are the targets

for the productive welfare¹⁵ which is related to work and improvement of work opportunities. However, even with the intention and the ability to work, they are often unable to work due to various incongruent conditions. Therefore, nurturing and providing conditions under which they are able to work is highly in need.

Table VIII-22. Preferences on the methods of creating jobs and opportunities by government for supporting the living cost of the low-income strata.

	Direct provision of jobs	Provision of information on job-seeking	Offer of education and training	others	No opinion
Participating	38.8	19.3	17.1	5.7	19.1
Non-participating	41.6	18.6	21.6	4.7	13.5
Average	40.8	18.8	20.3	5.0	15.0

(unit: %)

While only 15% of the low-income strata in the survey put forward no opinions on the job-offering by government, the rest of the low-income people greatly preferred the provision of the information on employment, and education & vocational training, as well as the direct offering of jobs, etc.; thus, the Productive Welfare must include indirect supports. Regarding the enhancement of the opportunity to work, the low-income strata want the direct offer of jobs by the government (40.8%), education and training (20.3%), provision of the information on employment (18.8%), which is far from the reality in which the low-income strata have to find jobs on their own. Therefore, to complement their lack competitiveness in the labor market, the government needs to create job-openings such as public service.

Judging the needs for the productive welfare on the basis of job-seeking activities of the householder, 68.9% of repliers in the survey responded that one member of household sought a job during the last month; while 4.9 % of replied

¹⁵ Recently, the concept of productive welfare has been used to refer to the broad meaning so as to include the basic livelihood protection and accessibility to work opportunities in addition to job offer and

households said that two members sought jobs. They are the primary targets for the productive welfare. However, since only 47.6 % of replied households in the survey said that they were able to start working immediately upon the offering of a job, other supplementary services are desired for 10.8% of all low-income households as against 11.7% of them who could be put into work immediately. The percentage needing supplementary services is especially higher for the households non-participating in social support programs (50.6 %), and they need not only the offer of jobs but also related services of basic livelihood protection in a broad sense.

Table VIII-23. Low-income households seeking jobs during the last month

(unit: %)

	Experience	No experience	Number of respondents
Participating	66.0	34.0	156
Non-participating	68.3	31.7	483
Average	68.9	31.1	528

Also, the low-income households mainly found employment privately not rather than through public placement bureaus. Low-income strata made mainly use of the private assistance network as follows; 33.6% relied on the recommendations from family, by school, by academic institute, and or close acquaintance, and 30.8 % used mass-media or the internet. And 70.1% of participating low-income households in social support programs also are relying on such private route. Thus, the reform of private employment agencies and public placement bureau, has to emphasize strengthening of job network connecting offering and seeking of jobs as well as creation of work opportunities to realize the productive welfare. As the percentage of dependence of job-seeking on family, close acquaintance, newspapers, and posters, etc., is as much as 62.4% of the households non-participating in social support programs, the

training in Korea.

reform of various service conveyance systems should be pursued to materialize productive welfare.

Table VIII-24. Job-seeking ways of low-income householders

	(unit: %)								
	School/ academic institute	Family, friends, close acquaintance	Public placement bureau	Private free employment agencies	Newspaper, billboard, TV, internet	Seeking jobs in person	Employment exposition	others	Number of households responded
Participating	1.9	33.6	10.3	0.9	34.6	8.4	1.9	5.6	107
Non-participating	3.1	29.8	9.7	1.9	29.5	17.9	2.2	6.3	319
Average	2.6	31.0	10.1	1.6	30.8	16.2	2.1	5.6	426

In addition, although there was a small number of respondents, the low-income households suggested that the reasons for not seeking jobs presently were as follows: 38.1% (or 33 persons) said they wanted to rest or a better job; 37.1% saw no good prospect to find a job anyway; 3.9% thought they lacked technical competencies or skills; for 3.4% due to discrimination against women or disabled, for 4.2% due to housekeeping and child care, and for 14.8 % due to some other reasons.

Thus, in order to lead them to work or seek jobs it is necessary not only to reform the job-placement network system and comprehensive vocational training but also to provide guards against sex discrimination in employment, and house helper services relevant to child care and home keeping.

Members of low-income households who quit jobs voluntarily accounted for 19.4%. Therefore, most of low-income household members previously employed are the target groups for job-seeking opportunities. The reasons given by respondents (354 persons) for quitting their jobs are decomposed into 29.4% for bankruptcy of firm, closing or suspension of business, 12.7% for dismissal or resignation upon suggestion, 1.1% for voluntary resignation, 8.5% for contract termination, and 19.8% for the lack or

scarcity of jobs. Thus 71.5% of responding households and at least 15.8% of whole households, are the targets for re-employment.

2) Targets for Productive Welfare

Judging work and related needs of the poor, the targets for productive welfare related to work is extensive to most of the low-income households. However, on the contrary to their needs, there are many low-income people who are not able to participate in work or employment services due to their physical or other conditions. Since 20.8 % of low-income householders are physically unable to work and 35.6% are participating households in social support programs, the majority of the participants are, in reality, able to work. However, only 37.4 % of all low-income householders work full-time, part-time. The presently employed and unable-to-work householders excluded, at least 41.8% of low-income strata come in as the targets for the productive welfare. Therefore, the targets for the productive welfare such as vocational training and the offer of the opportunities to work, are at least 40.7% of the low-income non-participating in social support programs, and 44.7% of the participating low-income strata. The percentage will increase to over 50%, if including the households presently employed but desiring to shift to full-time due to insufficient income. In this sense, when including all householders able to work, the target group becomes a maximum of 79.2 % of low-income household, or 64.4 % of low-income households participating in social support programs.

Since the economic shock of 1997, only 18.3 % of all households lost a job and were later re-employed, whereas the households still unemployed after the loss of jobs accounts for 80.2 % of all responding households, or 68.8 % of all low-income strata.

The economic crisis never relented from having a negative affect upon the poor community and thus many low-income households who have not succeeded in finding a new job are the primary targets for the productive welfare.

Table VIII-25. Status of re-employment for participating and non-participating householders after IMF crisis,

(unit: %)

	Re-employed	Employed after graduation	unemployed	Number of respondents
Participating	18.1	1.3	80.9	298
Non-participating	18.5	1.5	80.0	1081
Average	18.3	1.4	80.2	1381

Note: Two persons at most in one household were considered to answer.

4. Strong needs for the integrative services for basic livelihood and work

Most (79.7%) of low-income strata participating in social support programs are jobless or unskilled manual workers, but 62.3% of jobless people and unskilled manual workers and 62.1% of jobless householders stay outside social support programs. Thus, a substantial proportion of them will be the targets for the productive welfare as well as basic livelihood protection. A negative response was dominant to the idea of providing basic livelihood protection in connection with work as the compulsory condition for those who are able to work, and non-participating households responded more negatively to the idea. Yet, the percentage of the low-income households recognizing the needs of participation in work even with the compulsory conditions was not small (33.9%), and this response was stronger in households participating in the social support programs (38.1 %). It seems that especially for those low-income households who have prospect and ability for relatively high wages, compulsory condition of work for basic livelihood protection is desired.

On the other hand, the needs of low-income strata show that the basic livelihood protection cannot exist separately from the offer of opportunity to work. That is to say, considering that 35.7 % of the low-income bracket suggested that support for living cost and assistance in preparing for the basis of self-reliance should be concurrently provided, the low-income strata themselves think that the two kinds of support, namely, the basic livelihood protection and the productive welfare should be integrated. Especially, 40.1% of the low-income strata participating in social support programs want the combination of both, while 34.0% of non-participating households also want the combination of both. Thus, the integration of these two policies for low-income strata seems indispensable. In addition, among the low-income strata, 16.2% of households want support for living expenses, and only 17.4% of the households participating in social support program want it. Among the low-income strata participating in social support, more households (26.7%) prefer support assisting to preparation of self-reliance. This implies that the productive welfare policy has to be strengthened over the present policy centered on basic livelihood protection.

Table VIII-26. Needs for basic livelihood protection and productive welfare among low-income strata (Needs for governmental support)

	(unit: %)					
	Support only for preparing of a basis of self-reliance	Support only for living expenses	Support for both of them	Others	No opinion	Number of Respondents
Participating	26.7	17.4	40.1	2.9	12.9	389
Non-participating	36.7	15.7	34.0	3.1	10.4	1035
Average	34.0	16.2	35.7	3.1	11.1	1424

In the process of analyzing job-seeking activities, the ratio of working age, needs of ex-employees, level of education, etc., productive welfare service, related to preparing a basis of self-reliance is counted as important. First of all, very few

households let go of their opportunities to work. During the last month, only 8.3% of responding households had a member who rejected a job offer. Therefore, most low-income strata will be thought to work, given that they have the ability to work and opportunities come along. This backs up the assertion that expansion of productive welfare policy is necessary.

Secondly, most of the households that want support in preparing a basis of self-reliance or that want the combination of the two policies, have members of working age, that is, between 18 years old and 64 years old. 87.7% of all low-income households have family members of working age with the ability to work. In addition 92.5% of the households not participating in social support and 75.7% of participating households have members of working age. However, taking into account that the households who want support for living costs only also have a high percentage for the members of working age, age is not the absolute criterion for the ability and intention to work.

Table VIII-27. Proportion of households with members of working age (18-65 years old)

	(unit: %)					
	Support for preparing of a basis of self-reliance only	Support for living-costs only	Support for both of them	others	No opinion	Average
Participating	84.9(2.1)	62.9(2.1)	83.0(2.3)	80.0(2.1)	51.7(2.0)	75.7
Non-participating	93.9(2.3)	85.3(2.4)	94.6(2.5)	97.2(2.5)	89.7(2.5)	92.5
Average	90.4(2.3)	77.1(2.4)	91.2(2.4)	93.5(2.4)	77.1(2.4)	87.7

Note: Numbers in the parenthesis indicate average number of members of working age.

Thirdly, 44.4% of the responding households whose members had worked previously wanted support in order to prepare for self-reliance, while 35.0% wanted the combination of both. 9.8% of low-income households wanted only the support for living costs, and only 4.9% of low-income strata with previous job experiences and

presently participating in social support programs, wanted the support for living-expenses. However, many households (51.2%) responded that they wanted both supports. Among the low-income households with previous job experiences, now participating in social support programs, 31.7% asked for the support for preparing of a basis of self-reliance only.

Fourthly, the strong need for self-reliance might have something to do with their high level of education. 32.6% of participating households and 44.2% of non-participating households are high school drop outs or high school graduates.

On the contrary, most households demanding support of living expenses are often elderly, handicapped or for some reason unable to work. 21.7% of households inflicted with chronic diseases only hope for support for living cost, which makes sense considering their lack of ability to work and the burden of medical expenses. Since the elderly, disabled and chronic invalids often overlap, chronic diseases become one of primary causes of poverty and economic threat to the livelihood for the low-income households.

Table VIII-30. demographics of households hoping for the support for living expenses only

	elderly Households	Households with disabled	Households with chronic invalid	Households with more than two weak characteristics	Others	(unit: %) Number of samples
Participating	14.3	5.7	22.9	48.6	8.6	70
Non-participating	17.1	4.1	21.2	18.2	39.4	170
Average	16.3	4.6	21.7	27.1	30.8	240

However, except for the households with vulnerable characteristics, many low-income households want an integrated service of support for living-costs and preparation for a basis of self-reliance. For example, 51.3% of the low-income

householders without ability to work stay outside the social support programs because household members were judged administratively to have the ability to support the household. In addition, since many working households and low-income households with intention to work, are poor, the targets for productive welfare may also need to offer assistance for basic livelihood protection such as cash support. Even while some households already participating in social support programs, need supplementary support in order to maintain the minimum standard of living, non-participating households also need this basic protection. However, 13.7% of households participating in social support, are households with full-time workers, and 5.4% of them are with temporary employees, part of whom may not actually fall into target groups for social support. Thus, the targets for the basic livelihood protection should be more properly selected.

In addition, most of the low-income households are jobless, self-employed, or unskilled laborers, which may cause poverty. Those who responded “other” to the type of jobs in the survey with households participating in social support programs, are most probably jobless, and 20.8% of respondents are unskilled laborers. In the case of non-participating households, 35.7% are engaged in self-employed small businesses, and again many of 34.6% of households who responded “other” could also be jobless. Therefore, for them, offers of job and assistance for training are needed along with support for living costs.

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