

# A Study of Provider Perceptions of Errors, Fraud and Gaps in Social Welfare Programs<sup>1</sup>

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## Introduction

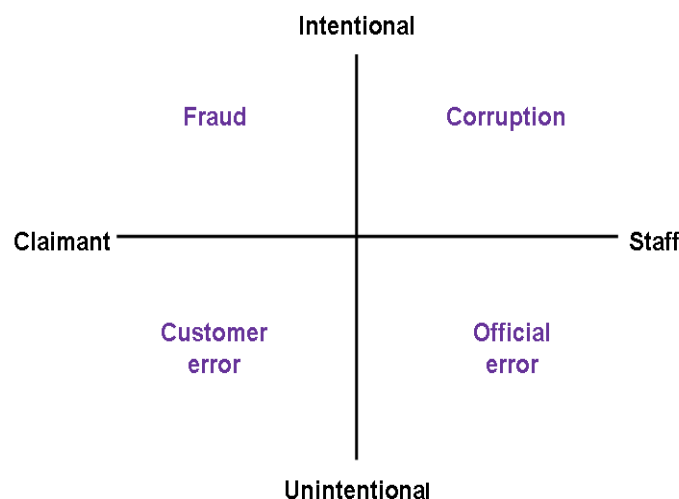
A systematic monitoring mechanism is essential to improving the effectiveness of social welfare programs, reducing gaps in welfare service provision, and keeping a check on welfare fraud. The current situation is such that there is a dearth of data on the state of gaps and welfare fraud in social programs. Thus, the need has arisen that monitoring should be conducted of frontline welfare officers whose work often involves welfare benefit investigation. This study is aimed at better understanding perceptions welfare officers have of benefit gaps and welfare fraud.

As part of this study, a survey was conducted on a total of 700 municipal welfare officers from cities, counties, boroughs and the Korea Land and Housing Corporation. The face-to-face survey asked respondents of their perceptions about conceptually classified welfare service gaps and benefit violations.

## Welfare gaps and a topology of benefit violations

The World Bank (2010) has classified benefit violations in social programs into intentional violations and unintentional ones. Intentional violations are either fraud or corruption, depending on whether they are committed by claimants or by benefit officers. Unintentional violations in their broadest sense include errors—customer errors and official errors.

[Figure 1] Typology of fraud and error in benefit systems



Source: Toolkit on Tackling Error, Fraud and Corruption in Social Protection Programs, World Bank (2010)

Klevin and Kopczuk (2011) have classified welfare benefit gaps and benefit violations, seeing

<sup>1</sup> This paper is a summarized synthesis of Chapters 4 and 5 of “Error, Fraud, Corruption and Gaps in Housing Welfare” (Wan-sub Lim *et al*, 2018, KIHASA).

them as parts of an interrelated whole, in the following way:

- Type Ia errors (incomplete take-up) occur if a program design results in some truly eligible individuals not applying for benefits;
- Type Ib errors (rejection errors) occur if a program design results in some truly eligible individuals applying for benefits and being rejected;
- Type II errors (award errors) occur if a program design results in some truly ineligible individuals applying for benefits and being accepted.<sup>2</sup>

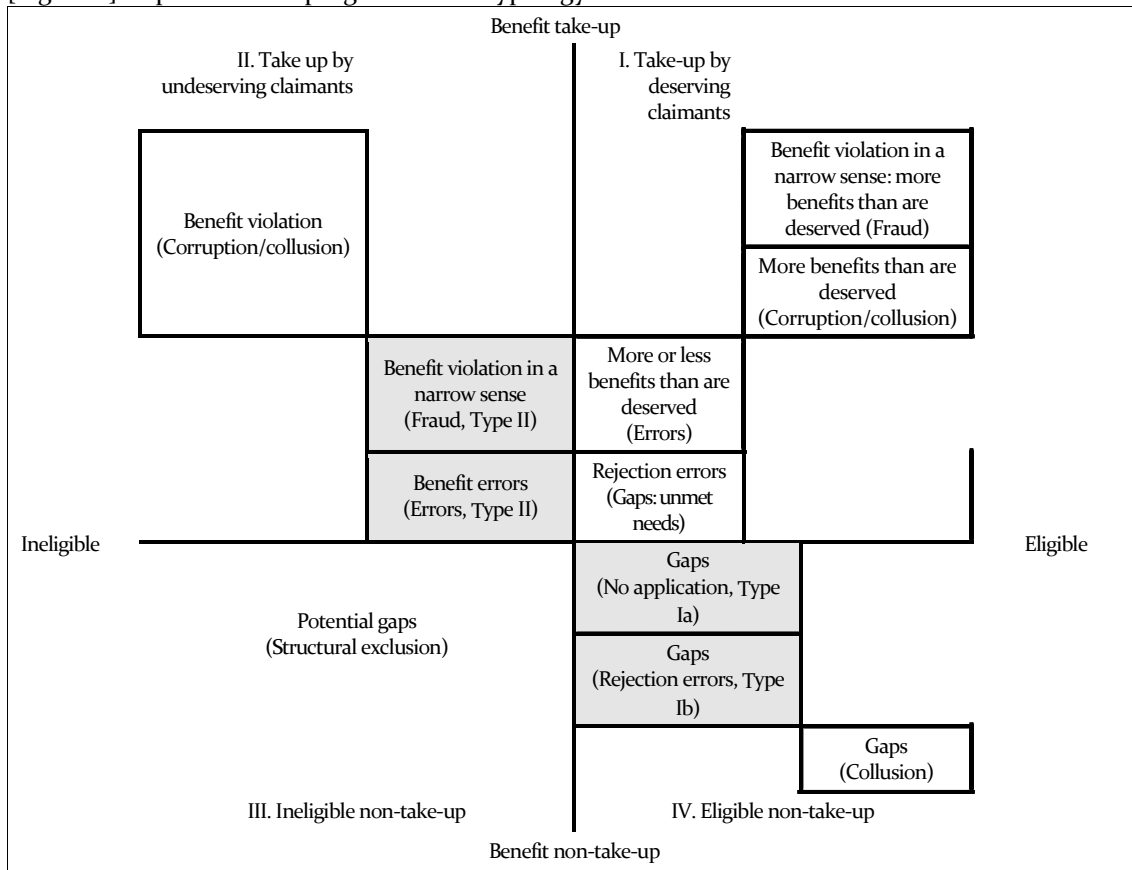
Type Ia and Ib errors are gaps in welfare programs, and Type II errors include welfare fraud. The common threads that run through Type I and Type II errors include “benefits, eligibility rules and the complexity of the screening process.” Kleven and Kopczuk see the complexity in social programs as a key factor that explains the relationship between Type I errors and Type II errors and between benefit violations and social welfare gaps. Higher complexity in social welfare programs, while likely to occasion increased levels of intensity in screening process, can result in higher incomplete take-up. Reduced complexity in a social program, on the other hand, is likely to mean less rigorous screening and reduced gaps.

Figure 2 represents a typology of benefit violations and gaps in social programs, with the x-axis standing for eligibility (and ineligibility) and the y-axis for benefit take-up (and non-take-up). The first quadrant has mainly to do with benefit level. The second quadrant illustrates the problem of eligibility. The third quadrant is about program coverage. Benefit violations occur mostly in areas illustrated in the first and second quadrants, while the fourth quadrant represents errors concerning incomplete take-up, i.e., benefit gaps that arise from rejection errors and eligible individuals not applying for benefits. The problem concerning some eligible individuals not applying for benefits can be attributed to welfare stigma and the complexity of welfare programs. Seen this way, the conflicting relationship between Type I errors and Type II errors can be thought to arise to a significant extent from imperfect information and complexity.

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<sup>2</sup> This classification is a direct quote from Kleven, H. J., & Kopczuk, W. (2011). Transfer Program Complexity and the Take-Up of Social Benefits. *American Economic Journal*, 3(1), 54-90.

[Figure 2] Gaps in benefit programs and a typology of benefit violations



Note: The bracketed words are causes of either benefit violation or gaps

Source: Kwon, O. S. et al. (2013, p. 34, Figure 2-2).

### Perceptions about gaps in welfare programs

Most of the welfare officers who participated in the survey felt that there were gaps in social welfare programs, with 43.2 percent thinking that the gaps were numerous. Welfare officers from lower-tier municipalities, who in their work often come in close contact with community residents, were more likely to perceive social welfare programs as having gaps.

[Table 1] Extent of service providers' perceptions of gaps in social programs

	All	<i>Si/gun/ gu</i> offices	<i>Eup/myeon/dong</i> offices	Housing allowance offices
No gaps	0.7	1.3	0.0	0.5
Several gaps	56.0	59.7	60.5	46.0
Numerous gaps	40.1	37.7	37.0	47.0
Very numerous gaps	3.1	1.3	2.5	6.5
Total (no. of people)	100.0 (700)	100.0 (300)	100.0 (200)	100.0 (200)

Source: Error, Fraud, Corruption and Gaps in Housing Welfare (2018)

Of all the social welfare programs examined, 'public assistance' was cited most often (35.1 percent) by respondents as having the most gaps. Next came 'National Health Insurance and Long-term Care Insurance', cited by 17.6 percent, and then 'public rental housing', cited by 12.7 percent. Respondents of all affiliations cited 'public assistance' more often than any other as

having the most gaps. The proportion of such responses ranged from 27.5 percent (respondents affiliated with housing allowance offices) to 39.5 percent (respondents affiliated with lower-tier municipalities). ‘Public rental housing’ was rated as having the third most gaps, with respondents from lower-tier municipalities and housing allowance offices citing it as such more often than respondents from higher-tier municipalities (*si/gun/gu* offices).

[Table 2] Social programs perceived as having the most gaps (in %)

	All	<i>Si/gun/ gu</i> offices	<i>Eup/myeon/dong</i> offices	Housing allowance offices
Public pension (National Pension, Civil Servants’ Pension, Private School Employees’ Pension)	10.3	8.7	8.5	14.5
National Health Insurance and Long-term care Insurance	17.6	17.7	17.0	18.0
Employment Insurance and Occupational Accident Insurance	7.3	8.0	6.5	7.0
Public Assistance (National Basic Living Security programs and Basic Pension)	35.1	37.3	39.5	27.5
Subsidized social welfare programs (in-home elderly care services and community-based child centers)	6.9	8.7	4.5	6.5
Voucher-based social service programs	7.1	7.0	7.0	7.5
Public housing	12.7	9.0	15.5	15.5
Other	1.0	2.3	1.0	1.0
Total	100.0	100.0	100.0	100.0

Source: Error, Fraud, Corruption and Gaps in Housing Welfare (2018)

Among all the programs in the National Basic Living Security system, which represents Korea’s public assistance, living allowance was cited most often (49.0 percent) by respondents as having the most gaps. Housing allowance was cited second most often as having the most gaps (25.7 percent), followed by medical aid (21.4 percent). Education allowance was the service respondents selected least often as having the most gaps. Housing allowance was more often selected by respondents working at housing allowance offices than those working at municipalities.

[Table 3] Benefit programs in the National Basic Living Security that were cited as having the most gaps (in %)

	All	<i>Si/gun/ gu</i> offices	<i>Eup/myeon/dong</i> offices	Housing allowance offices
Living allowance	49.0	53.0	46.5	45.5
Medical aid	21.4	22.7	26.5	14.5
Housing allowance	25.7	22.0	22.0	35.0
Education allowance	3.9	2.3	5.0	5.0
Total	100.0	100.0	100.0	100.0

Source: Error, Fraud, Corruption and Gaps in Housing Welfare (2018)

A considerable proportion of respondents cited ‘some eligible individuals not applying for benefits’ and ‘some aspects of program design, including limited targeting and selective coverage’ as reasons for gaps in social welfare programs (including public assistance). ‘Eligible individuals not applying for benefits’ is an instance of Type Ia error, while such aspects of

program design as ‘limited targeting’ and ‘selective coverage’ have to do with structural exclusion.

‘Some eligible individuals not applying for benefits’ was cited more often as a reason for gaps in the social welfare system as a whole than as a reason for gaps in the National Basic Living Security system. This is presumably because the National Basic Living Security is more selective of the two, with its eligibility resting on such stringent criteria as countable-income rules and the family support obligation requirement.

[Table 4] Perceived reasons for gaps in social welfare system as a whole and in the National Basic Living Security (in %)

	Welfare programs as a whole				National Basic Living Security			
	All	<i>Si/gun/gu</i> offices	<i>Eup/myeon/dong</i> offices	Housing allowance offices	All	<i>Si/gun/gu</i> offices	<i>Eup/myeon/dong</i> offices	Housing allowance offices
Eligible individuals not applying for benefits	45.7	42.0	46.5	50.5	36.7	32.3	38.5	41.5
Administrative and managerial errors (provider errors)	2.1	3.0	1.0	2.0	2.1	2.3	1.5	2.5
Insufficient benefits (needs left unmet)	15.7	17.3	18.0	11.0	13.1	16.0	12.0	10.0
some aspects of program design, including limited targeting and selective coverage	36.4	37.7	34.5	36.5	48.0	49.3	48.0	46.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Error, Fraud, Corruption and Gaps in Housing Welfare (2018)

When asked to cite reasons for some eligible individuals not applying for benefits, respondents most often pointed to ‘lack of awareness’. ‘Complexity in the application and selection process’ and ‘the restrictive criteria’ were, respectively, the second and third most often cited reasons. Respondents selected ‘lack of awareness’ more often for ‘social welfare programs in general’ than for ‘National Basic Living Security System’. When it came to reasons for some eligible individuals not applying for benefits in the National Basic Living Security System, ‘complexity of application and selection process’ and ‘stringent selection criteria’, while less often cited than ‘lack of awareness of available services’, were much more often cited than ‘concern about social stigma.’ These findings taken together suggest that to reduce gaps in social security coverage, it is necessary to actively provide to the public clear and accurate information on available social programs.

[Table 5] Perceived reasons for some eligible individuals not applying for benefits (welfare programs as a whole and the National Basic Living Security)

	Welfare programs as a whole				National Basic Living Security			
	All	<i>Si/gun/gu</i> offices	<i>Eup/myeon/dong</i> offices	Housing allowance offices	All	<i>Si/gun/gu</i> offices	<i>Eup/myeon/dong</i> offices	Housing allowance offices
Lack of awareness by eligible individuals	70.9	70.6	64.5	77.2	67.3	66.0	64.9	71.1
Complexity in the application and selection process	13.1	12.7	17.2	9.9	14.0	13.4	14.3	14.5
Fear of possible negative effect on one's children and family members	1.9	3.2	1.1	1.0	5.1	4.1	9.1	2.4
Stringent selection criteria	8.8	6.3	9.7	10.9	8.9	10.3	5.2	10.8
Concern about social stigma	3.1	4.8	3.2	1.0	3.1	4.1	3.9	1.2
Unsatisfactory benefit levels	0.9	1.6	1.1	0.0	1.2	2.1	1.3	0.0
Services (benefits) unfit for the needs	1.3	0.8	3.2	0.0	0.4	0.0	1.3	0.0
Total (no. of respondents)	100.0 (320)	100.0 (126)	100.0 (93)	100.0 (101)	100.0 (257)	100.0 (97)	100.0 (77)	100.0 (83)

Source: Error, Fraud, Corruption and Gaps in Housing Welfare (2018)

When asked to cite reasons why gaps exist as they do in living allowance and housing allowance programs, respondents most often pointed to 'structural exclusion.' The second most often cited reason was 'individuals not applying for benefits.' Respondents selected 'individuals not applying for benefits' more often as a reason for gaps in housing allowance than as a reason for gaps in living allowance. On the other hand, 'structural exclusion' was selected more often as a reason for gaps in living allowance provision than as a reason for gaps in housing allowance. 'Lack of awareness' was the reason most often cited for 'individuals not applying for housing and living allowances'. As was the case with the National Basic Living Security Program, here as well 'complexity of application and selection process' and 'stringent selection criteria' were much more often cited than 'concern about social stigma.'

[Table 6] Perceived reasons for gaps in social programs

	Housing allowance				Living allowance			
	All	Si/gun/ gu offices	Eup/myeon /dong offices	Housing allowance offices	All	Si/gun/ gu offices	Eup/myeon /dong offices	Housing allowance offices
Eligible individuals not applying for benefits	39.1	34.7	41.5	43.5	34.7	30.0	38.5	37.5
Provider errors and mistakes	2.1	3.0	0.5	2.5	1.3	2.3	0.5	0.5
Eligible individuals' unmet needs	15.1	19.0	13.0	11.5	13.0	16.3	11.0	10.0
Structural exclusion	43.6	43.3	45.0	42.5	51.0	51.0	50.0	52.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Error, Fraud, Corruption and Gaps in Housing Welfare (2018)

[Table 7] Perceived reasons for some eligible individuals not applying for benefits (housing allowance and living allowance) (in %)

	Housing allowance				Living allowance			
	All	Si/gun/ gu offices	Eup/myeon /dong offices	Housing allowance offices	All	Si/gun/ gu offices	Eup/myeon /dong offices	Housing allowance offices
Lack of awareness by eligible individuals	72.6	69.2	66.3	82.8	66.7	65.9	63.6	70.7
Complexity in the application and selection process	12.4	12.5	19.3	5.7	14.8	12.1	23.4	9.3
Fear of possible negative effect on one's children and family members	1.5	2.9	0.0	1.1	3.7	5.5	1.3	4.0
Stringent selection criteria	7.7	8.7	6.0	8.0	8.6	8.8	6.5	10.7
Concern about social stigma	2.6	1.9	3.6	2.3	4.1	4.4	2.6	5.3
Unsatisfactory benefit levels	2.2	3.8	2.4	0.0	1.2	2.2	1.3	0.0
Services (benefits) unfit for the needs	0.7	0.0	2.4	0.0	0.8	1.1	1.3	0.0
Other	0.4	1.0	0.0	0.0				
Total (no. of respondents)	100.0 (274)	100.0 (104)	100.0 (83)	100.0 (87)	100.0 (243)	100.0 (91)	100.0 (77)	100.0 (75)

Source: Error, Fraud, Corruption and Gaps in Housing Welfare (2018)

### Perception of welfare fraud

This study found that close to 99 percent of respondents thought all benefit programs, to one extent or another, suffered welfare errors. Respondents from higher-tier municipalities were more likely to think welfare programs as having a high or very high prevalence of welfare fraud. This is so presumably because most higher-tier municipalities have in place a welfare fraud investigations unit.

[Table 8] Perceived prevalence of welfare benefit violations

	All	<i>Si/gun/ gu</i> offices	<i>Eup/myeon/dong</i> offices	Housing allowance offices
No violation	1.1	0.3	1.0	2.5
Some violations	57.9	56.3	58.5	59.5
Numerous violations	33.4	36.3	33.0	29.5
Very numerous violations	7.6	7.0	7.5	8.5
Total (no. of respondents)	100.0 (700)	100.0 (300)	100.0 (200)	100.0 (200)

Source: Error, Fraud, Corruption and Gaps in Housing Welfare (2018)

Respondents of all affiliations cited public assistance most often as the most fraud-ridden of all social welfare programs. This again, as with respondents' perception of gaps in welfare services, may be attributed to the fact that public assistance programs are highly selective, that in order to be entitled to public assistance, one has to meet various requirements, including ones concerning work and asset tests.

[Table 9] Social programs perceived as the most fraud-ridden

	All	<i>Si/gun/ gu</i> offices	<i>Eup/myeon</i> <i>/dong</i> offices	Housing allowance offices
Public pension (National Pension, Civil Servants' Pension, Private School Employees' Pension)	8.1	5.7	4.5	15.5
National Health Insurance and Long-term care Insurance	16.7	20.7	12.0	15.5
Employment Insurance and Occupational Accident Insurance	13.3	15.3	7.5	16.0
Public Assistance (National Basic Living Security programs and Basic Pension)	43.9	42.0	56.5	34.0
Subsidized social welfare programs (in-home elderly care services and community-based child centers)	8.6	9.7	9.5	6.0
Voucher-based social service programs	2.9	3.3	3.0	2.0
Public housing	6.1	3.3	6.0	10.5
Housing finance support	0.3	0.0	0.5	0.5
Other	0.1	0.0	0.5	0.0
Total	100.0	100.0	100.0	100.0

Source: Error, Fraud, Corruption and Gaps in Housing Welfare (2018)

'Living allowance' was cited by the most number of respondents as the most fraud-ridden among all the programs in the National Basic Living Security. The proportion of those who responded as such was especially high among respondents from lower-tier municipalities. Housing allowance was cited much more often by respondents from housing allowance offices than by respondents from elsewhere. This is so presumably because housing allowance offices are responsible for, among other things, case investigations and, therefore, relatively well-informed of the actual state of affairs with respect to housing allowance fraud.



[Table 10] Benefit programs perceived as the most fraud-ridden

	All	<i>Si/gun/ gu</i> offices	<i>Eup/myeon/dong</i> offices	Housing allowance offices
Living allowance	69.6	75.3	80.0	50.5
Medical aid	15.9	19.0	12.5	14.5
Housing allowance	13.1	5.0	5.5	33.0
Education allowance	2.0	1.3	3.0	2.0
Total	100.0	100.0	100.0	100.0

Source: Error, Fraud, Corruption and Gaps in Housing Welfare (2018)

When asked to cite the most common type of errors in benefit programs, most respondents (74.5 percent in the case of social welfare programs as a whole and 65.5 percent in the case of housing allowance) pointed to ‘intentional violation by the recipient’, which, in a narrow sense of the phrase, is fraud. The next often cited error was ‘intentional violation by the provider’ (10.4 percent for social welfare programs as a whole and 7.3 percent for housing allowance), followed by ‘collusion between the recipient and the provider (6.9 percent and 11.3 percent, respectively). An outcome such as this is not unexpected, as the delivery of housing benefits is a relatively complex series of procedures that presents a risk of engendering corruption-related fraud.

Respondents thought that overpayment or underpayment of benefits resulting from unintended claimant errors occurred more often in housing allowance than in welfare programs as a whole. In housing allowance programs, where delivery is generally more complex than in other welfare programs, service providers are heavily tasked with reviewing and processing information, making it highly likely that unintended applicant errors often go undetected.

[Table 11] Perceived types of reasons for the occurrence of welfare fraud and ineligible payments (in %)

	All		<i>Si/gun/ gu</i> offices		<i>Eup/myeon/dong</i> offices		Housing allowance offices	
	Welfare programs as a whole	Housing allowance	Welfare programs as a whole	Housing allowance	Welfare programs as a whole	Housing allowance	Welfare programs as a whole	Housing allowance
Provider corruption	10.4	7.3	10.3	7.4	9.7	7.1	11.2	7.1
Provider error	2.7	5.3	2.9	3.7	2.6	9.1	2.4	4.1
Claimant Fraud	74.5	65.5	76.4	66.5	79.2	72.1	67.5	58.0
Claimant error	5.0	10.3	7.9	14.5	4.5	5.2	1.2	8.9
Provider-claimant collusion	6.9	11.3	2.5	7.9	3.2	5.2	16.6	21.0
Other	0.5	0.4	0.0	0.0	0.6	1.3	1.2	0.0
All (no. of respondents)	100.0 (565)		100.0 (242)		100.0 (154)		100.0 (169)	

Source: Error, Fraud, Corruption and Gaps in Housing Welfare (2018)

However, the survey outcomes above, meant to represent service providers’ perceptions of different types of benefit error and fraud, may differ to some extent from the rate of actual occurred benefit errors and fraud. As many as 15.2 percent of respondents said they had detected suspicious benefit claims, most of which involved submission of forged information or

non-submission of required information. Only 1.9 percent of these allegedly fraudulent applications were thought to have been due to provider corruption.

[Table 12] Percentage of respondents with experience of having detected suspicious benefit claims, by type of alleged violation (January ~ September, 2018)

Whether or not have experience of having detected suspicious benefit claims	All (500)	Type of alleged violation	All (76)
Yes	15.2%	Intended false information	39.0%
		Intended non-submission of information	45.7%
		Lack of beneficiary information	11.4%
		Provider errors or mistakes	1.9%
		Provider corruption	1.9%
No	84.8%	Total	100.0%
Total	100.0%		

Source: Error, Fraud, Corruption and Gaps in Housing Welfare (2018)

When asked about the types of benefit-related errors that call for immediate government interventions, respondents most often cited ‘fraud’ (72.7 percent for welfare programs as a whole and 66.9 percent for housing allowance). ‘Corruption’ and ‘collusion’ together represented 19.5 percent of responses to this question (20.7 percent for housing allowance).

[Table 13] Benefit-related errors thought of as in need for immediate interventions

	All		<i>Si/gun/ gu</i> offices		<i>Eup/myeon/dong</i> offices		Housing allowance offices	
	Welfare programs as a whole	Housing allowance	Welfare programs as a whole	Housing allowance	Welfare programs as a whole	Housing allowance	Welfare programs as a whole	Housing allowance
Corruption	11.0	9.4	8.3	8.3	11.0	9.1	14.8	11.2
Provider error	3.9	5.0	3.3	5.0	3.9	5.8	4.7	4.1
Fraud	72.7	66.9	77.3	69.8	75.3	70.8	63.9	59.2
Claimant error	4.1	7.4	5.4	9.9	4.5	5.2	1.8	5.9
Collusion	8.3	11.3	5.8	7.0	5.2	9.1	14.8	19.5
All (no. of respondents)	100.0 (565)		100.0 (242)		100.0 (154)		100.0 (169)	

Source: Error, Fraud, Corruption and Gaps in Housing Welfare (2018)

## Concluding remarks

This study was conducted of frontline social welfare officials from municipalities of different tiers. Most respondents thought there were gaps in social welfare services. Of all social welfare programs, public assistance was most often cited as the program with the most gaps. Of the programs in the National Basic Living Security scheme, it was living allowance which was most often cited by respondents as the one with the most gaps. Most respondents thought there were cases of welfare fraud in social programs. Respondents most often cited public assistance as the most fraud-ridden among all social welfare programs. In the category of the National Basic Living Security scheme, living allowance was most often cited as the most fraud-ridden.

When asked to cite reasons for gaps in welfare programs, respondents selected ‘institutional exclusion’ or ‘eligible individuals not applying for benefits.’ Reasons for ‘institutional exclusion’ included, in order of how often they were cited, ‘lack of awareness’, ‘complexity in application and selection’, and ‘stringent selection criteria.’ This calls for governments, central and local

alike, to increase their efforts to deliver reliable information to the general public about social welfare programs. Policy attention should be paid especially to older people and single-person households with limited access to welfare information, namely people for whom it is difficult to obtain information on their own about the benefits for which they are eligible.

A significant proportion of respondents thought that welfare abuses occurred most often in the form of welfare fraud. The type of welfare abuses that respondents most often cited as a priority issue was fraud, welfare abuses committed intentionally by recipients. As welfare corruption—welfare abuses committed by welfare officers—can have a considerable impact on the sustainability of the programs concerned, it is important to implement strong prevention strategies, monitoring tools and penalty actions. Also, consideration should be given to the fact that there could be a considerable difference between the perceived and actual incidence of welfare fraud.