

Trends in Local Social Welfare Programs and Social Security Consultation

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Introduction

Pursuant to Paragraph 1 of Article 117 of the Constitution and Article 9 of the Local Autonomy Act, local governments are supposed to pursue, with their own social security programs, the promotion of welfare of their residents, which is the essence of the local autonomy system and a core function of municipalities. The laws require that local governments go through consultation with the Minister of Health and Welfare when they propose new social welfare programs or make alterations to existing ones. The aim of the consultation system is to avoid duplicates and omissions in benefits and strengthen coordination in social welfare programs between the state government local governments, as provided in Article 26 of the Framework Act on Social Security. Between 2013 and 2019, a total of 4,313 cases have been confirmed by consultation.

Ministries or local governments that wish to establish a new welfare program or alter an existing one are required to request consultations from the Ministry of Health and Welfare and receive the results within 60 days. Municipalities and ministries are required to submit a request of consultation six months prior to the implementation of the program or upon the enactment of relevant laws and regulations. New and altered social welfare programs that are subject to consultation are those run by the state and local governments with public funds. This study is aimed at examining the characteristics of new and altered social welfare programs that have been confirmed by consultation.

A new or altered program is subject to consultation with respect of its various aspects, including its rationale, relationship with the existing welfare system, impact on the delivery system, and financial impact.

[Table 1] Criteria for consultation on new and altered social welfare programs

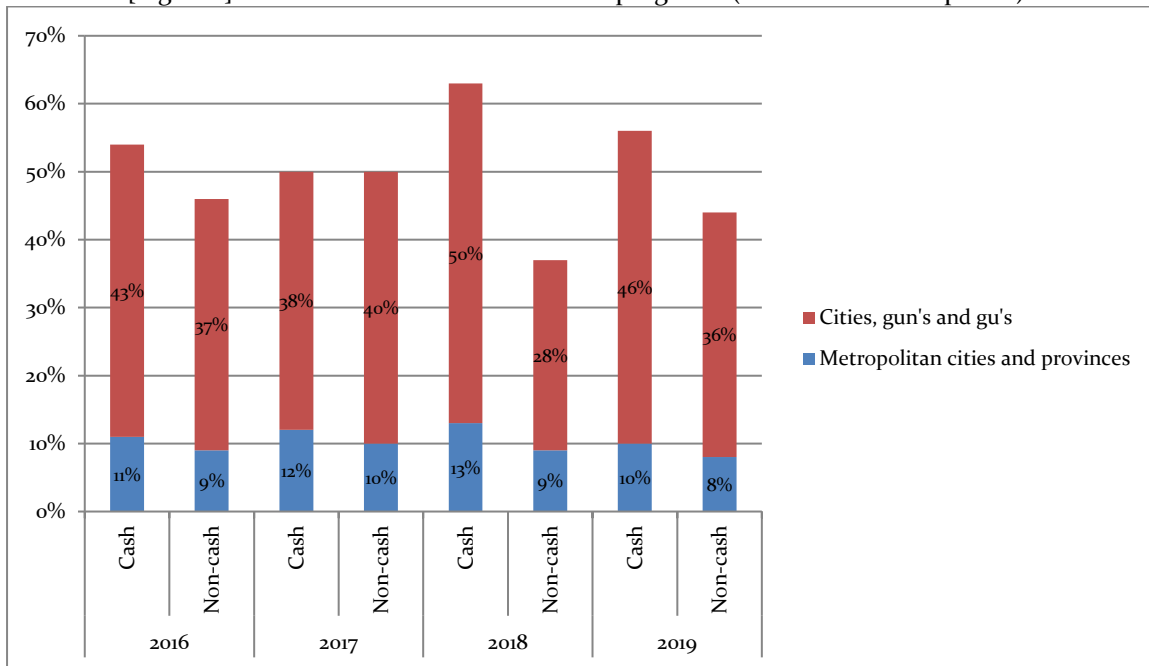
Statutory criteria	Main points of deliberation	Statutory criteria	Main points of deliberation
1. Program rationale	<ul style="list-style-type: none"> a. Clear reason for implementing the program b. Urgency of local issues; priorities in the locality; local characteristics c. Linkage between the program's substance and intended goal d. Need for, and appropriate level of, investment of public resources 	3. Impact on the delivery system	<ul style="list-style-type: none"> i. Whether there is inefficiency due to overload and segmentation in the delivery of welfare services j. Accessibility for beneficiaries; timeliness of benefits k. Use of the social security information system
2. Relationship with the existing system	<ul style="list-style-type: none"> e. Whether the proposed program dovetails well with the mid- to long-term improvement strategies for social security f. Whether there are similar benefits or services already in place for the intended target group g. The effect of the program in reducing duplicate benefits, benefit omission, and benefit lopsidedness h. Complementarity between the state and local programs 	4. Financial impact	<ul style="list-style-type: none"> l. Financial resources planning and financial sustainability (appropriateness) m. Efficiency in financial execution

Source: Ministry of Health and Welfare (2019). 2019 Consultation Guidelines for New and Altered Social Security Programs. p.18.

A profile of new and altered social welfare programs

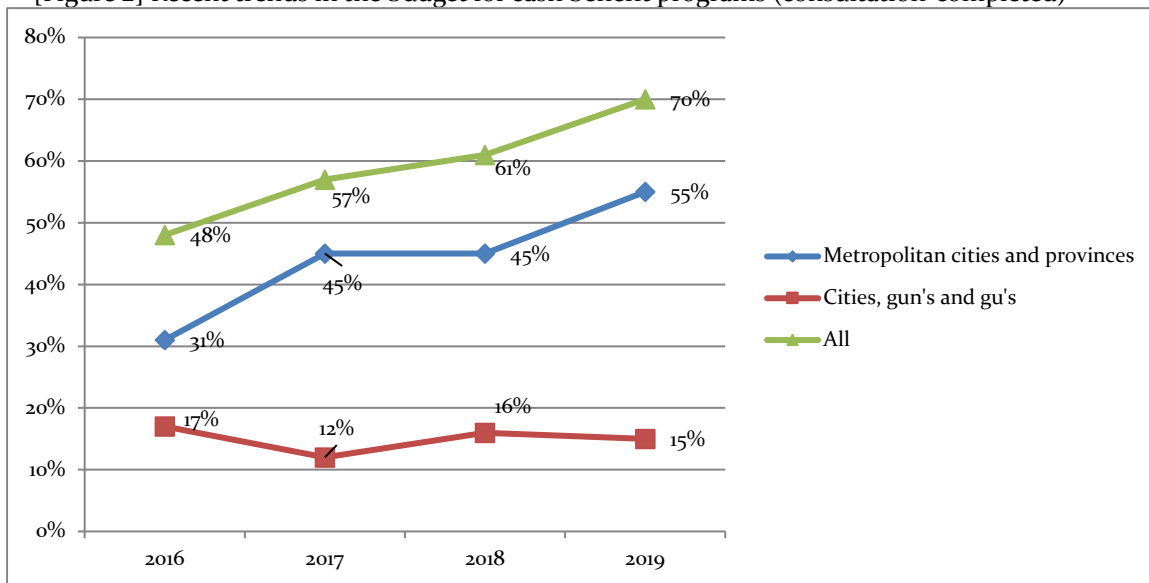
Of all local social welfare programs that had gone through the process of consultation, cash-based social welfare programs accounted for 54 percent in 2016, 50 percent in 2017, 63 percent in 2018 and 56 percent in 2019. Cash benefit programs implemented by metropolitan cities and provinces accounted on average for between 10 and 13 percent for the years between 2016 and 2019. Those implemented in cities, *gun's*, and *gu's* accounted for 38 to 50 percent for the same period. Cash benefit programs as a share of the total budget assigned to local social welfare programs was 70 percent in 2019, a rapid increase from 48 percent in 2016. Cash programs accounted for a consistently increasing share of the total social welfare budget earmarked for metropolitan cities and provinces.

[Figure 1] Local cash and non-cash welfare programs (consultation-completed)



Source: Based on the 2016~2019 List of New and Altered Social Security Programs Subject to Consultation

[Figure 2] Recent trends in the budget for cash benefit programs (consultation-completed)

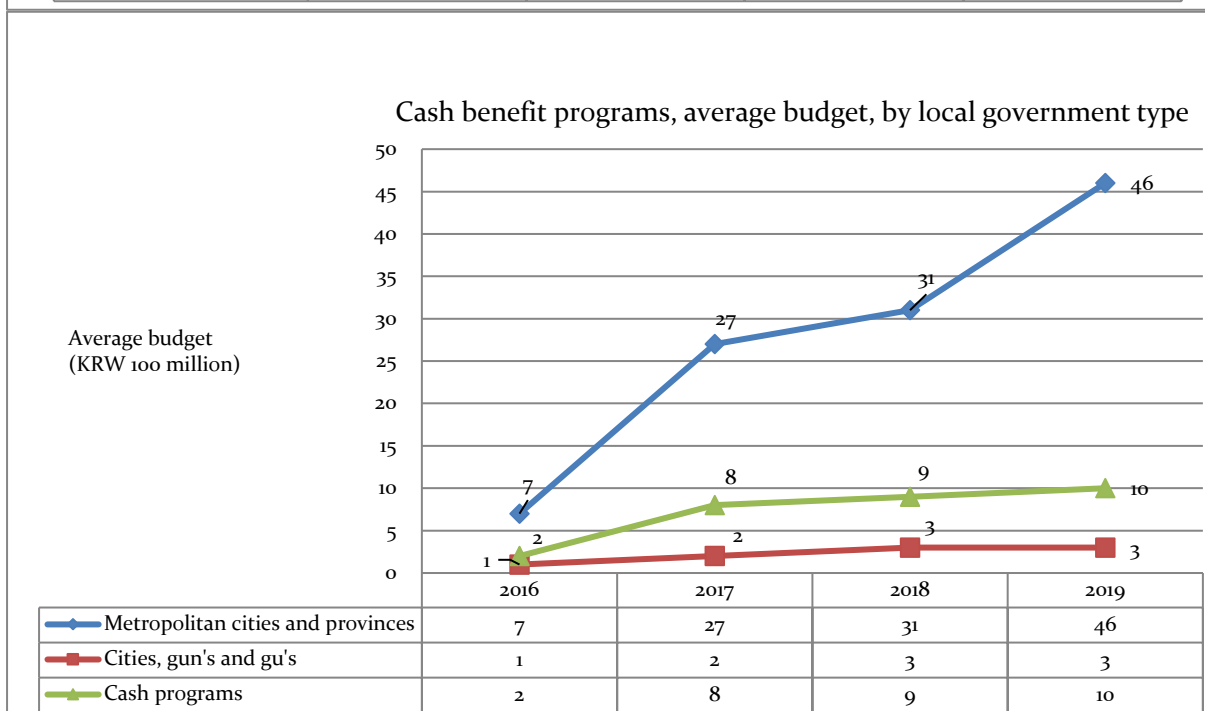
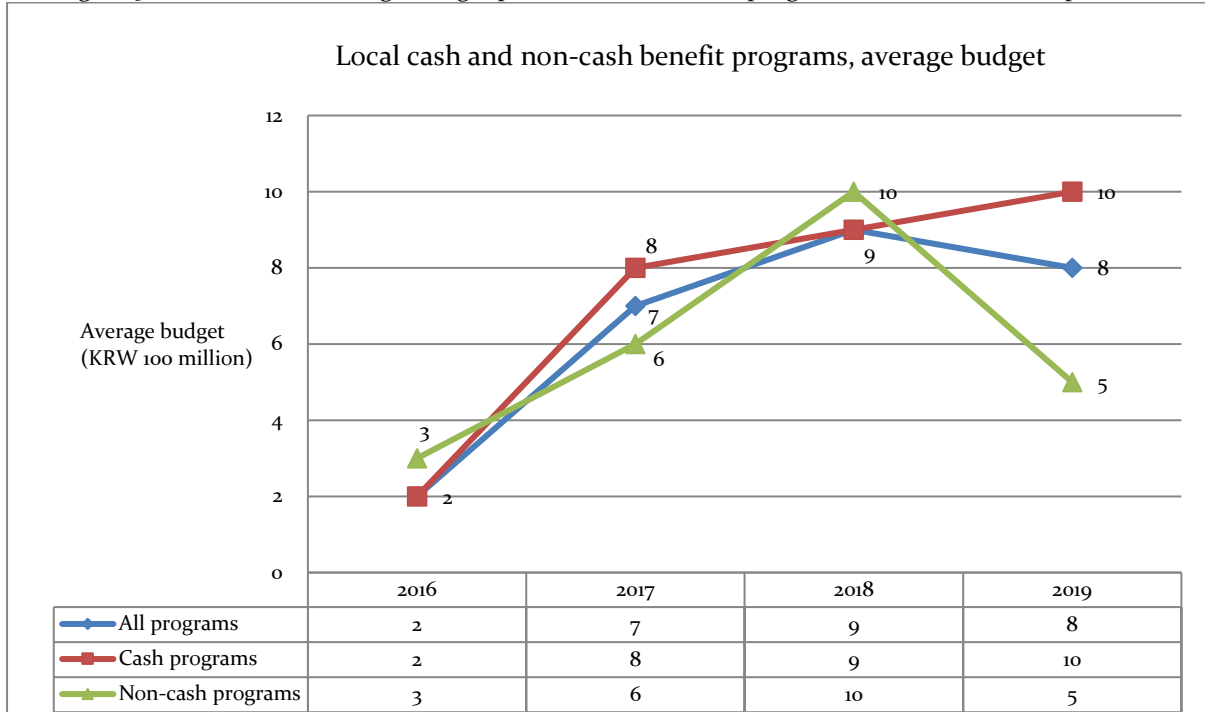


Source: Based on the 2016~2019 List of New and Altered Social Security Programs Subject to Consultation

The average budget per local social welfare program has increased to KRW 0.8 billion in 2019 from 0.2 billion in 2016. The average budget for non-cash welfare programs increased from KRW 0.3 billion in 2016 to KRW 1.0 billion in 2018, and then decreased to KRW 0.5 billion in 2019. The average budget size of cash benefit programs executed by metropolitan cities and provinces was as large as KRW 4.6 billion in 2019, a sharp increase from KRW 3.1 billion the year before. In comparison, an average budget of only KRW 0.3 billion was allocated to cash benefit programs run by and cities, *gun's* and *gu's*. The rapid increase metropolitan cities and provinces

saw in the budget for their cash benefit programs are attributed to increases in such large-scale programs as Farmer's Allowance and Local Child Allowance.

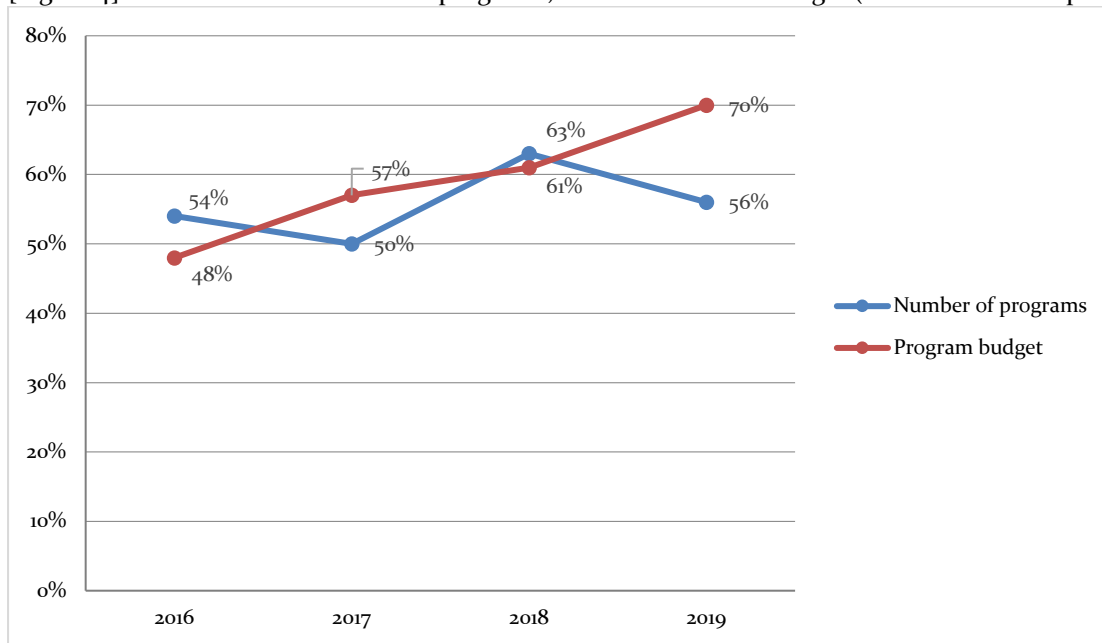
[Figure 3] Trends in the average budget per local cash benefit program (consultation-completed)



Source: Based on the 2016~2019 List of New and Altered Social Security Programs Subject to Consultation

As a share of newly established local social welfare programs for 2019, cash benefit programs, while having increased in budget, decreased in number.

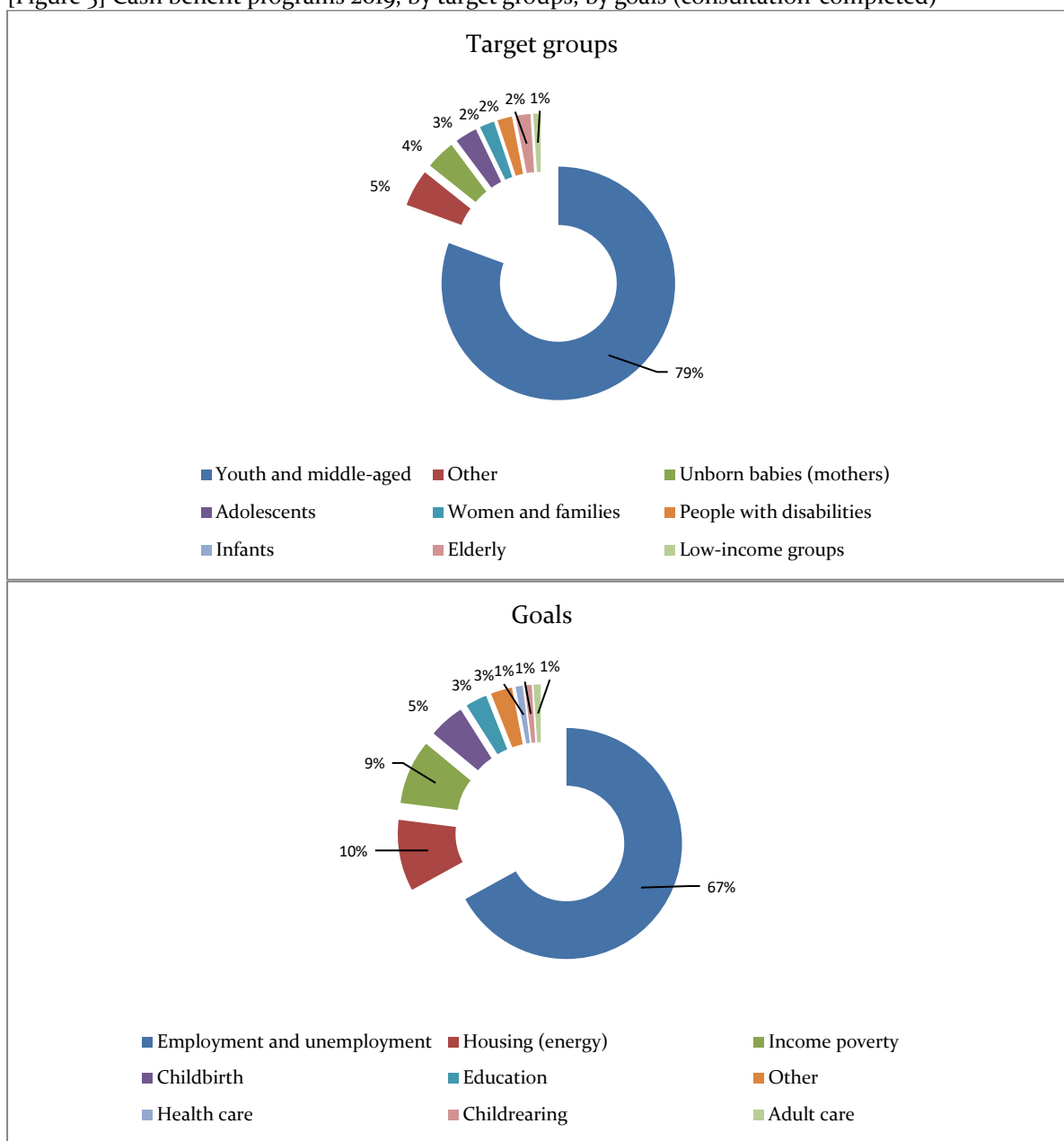
[Figure 4] Trends in new cash benefit programs, in number and in budget (consultation-completed)



Source: Based on the 2016–2019 List of New and Altered Social Security Programs Subject to Consultation

The cash programs established for 2019 were intended for youths and the middle-aged (79 percent), unborn babies and their mothers, children and adolescents. These cash programs were aimed at helping beneficiaries in employment and unemployment (67 percent), housing and energy (10 percent) and income poverty reduction (9 percent). The high proportion of programs on employment (and unemployment) may in part be a response to various issues concerning the unstable labor market.

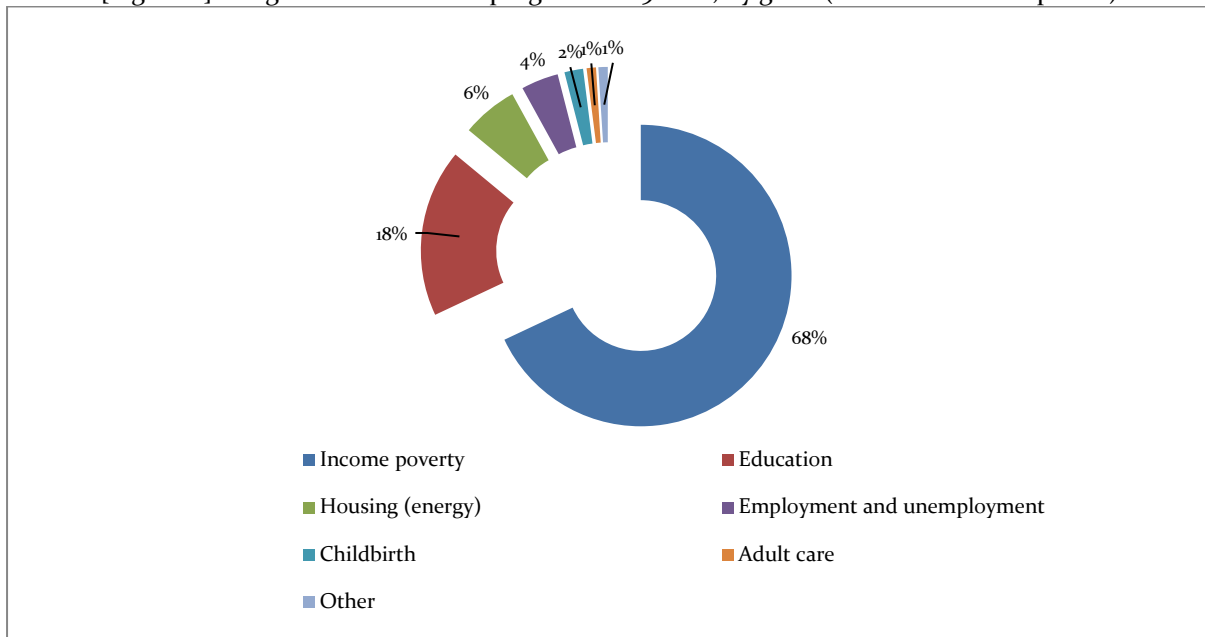
[Figure 5] Cash benefit programs 2019, by target groups, by goals (consultation-completed)



Source: Based on the 2016~2019 List of New and Altered Social Security Programs Subject to Consultation

Local social welfare programs aimed at income poverty reduction include emergency support for those in poverty, basic social security, asset-building programs for youths and the middle-aged, and filial piety promotion allowance. Education-related cash programs include school entrance allowance for school children, scholarship programs and tuition support for local young and middle-aged students, and student loan programs.

[Figure 6] Budget for cash benefit programs 2019 in %, by goals (consultation-completed)



Source: Based on the 2016~2019 List of New and Altered Social Security Programs Subject to Consultation

The local social welfare programs that have completed consultation have the following characteristics. While the number of cash programs as a share of the total number of local welfare programs varies from one year after another, cash programs as a share of the total budget of all local welfare programs increased from 48 percent in 2016 to 70 percent in 2019. The average budget per cash benefit program grew incrementally to KRW 1.0 billion in 2019 from KRW 0.2 billion in 2016.

More number of cash benefit programs have been implemented by non-metropolitan cities, *gun's* and *gu's* than by metropolitan cities and provinces. Of a total of 677 programs that had gone through the consultation process in 2019, 46 percent were implemented by non-metropolitan cities, *gun's* and *gu's*, compared to 9 percent by metropolitan cities and provinces. However, the average budget was much larger for cash programs implemented by metropolitan cities and provinces (KRW 4.6 billion) than for those implemented by non-metropolitan cities, *gun's* and *gu's* (KRW 0.3 billion).

Most of the cash benefit programs were designed to benefit young and middle-aged people, especially to help them meet their needs arising from employment issues and unemployment problems. The number of programs targeting young and middle-aged people has grown from 37 in 2017 to 244 in 2018 to 319 in 2019.

The 319 programs, in terms of budget, accounted for 13.7 percent of all local welfare programs that had gone through the process of consultation. Of the 319, 297 were cash programs, accounting for 11.1 percent of the total budget earmarked for all consultation-completed

programs. As many as 248 programs as of 2019 were those designed to help young and middle-aged people in their employment needs and unemployment problems. The average budget per program, however, was as just KRW54 million. In budget terms, cash benefit programs were concentrated on income poverty reduction (68 percent) and education (18%).