

Economic Growth and Poverty Reduction Strategies in Korea

2006. 9.

Korea Institute for Health and Social Affairs

Contents

I. Introduction

II. Economic Growth, Poverty and Inequality in Korea

III. Changes in Poverty Reduction Strategies in Korea

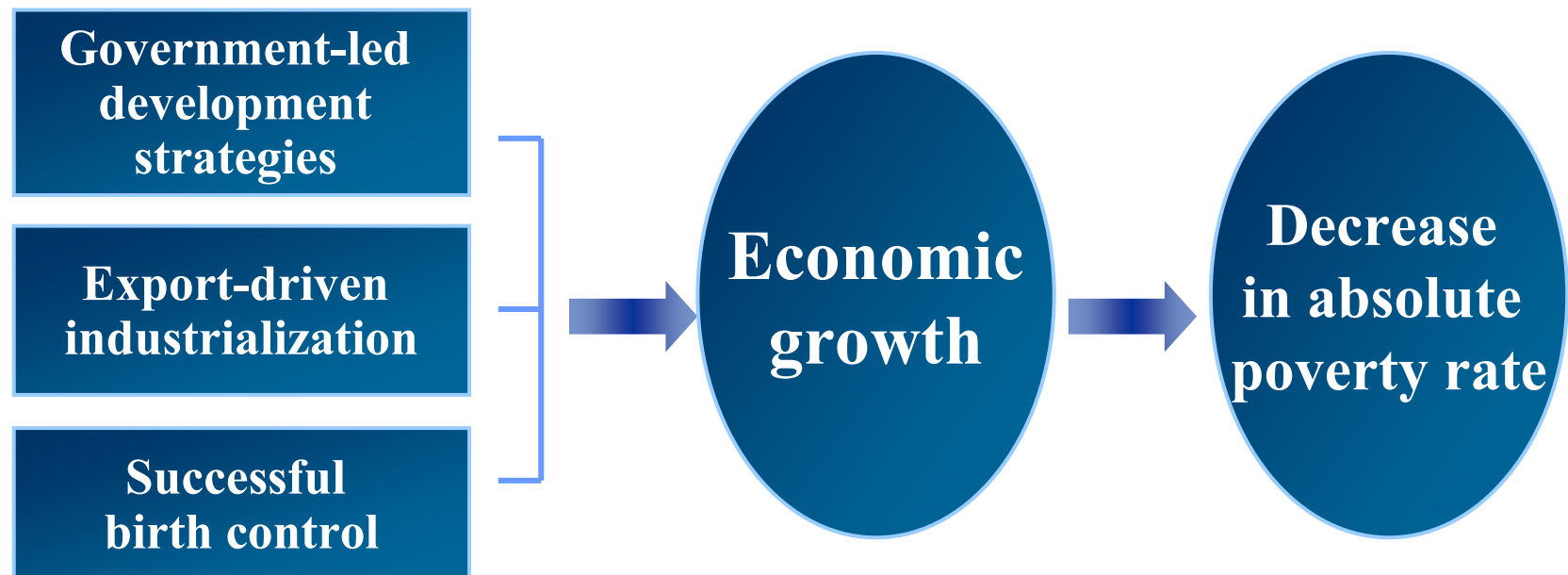
IV. Implications of Korea's Experiences

V. Suggestions

I. Introduction

■ Economic Growth and Poverty Reduction in Korea

● Before 1997



I. Introduction

● Since 1997

**Financial
Crisis
(1997)**



Emerging Issues

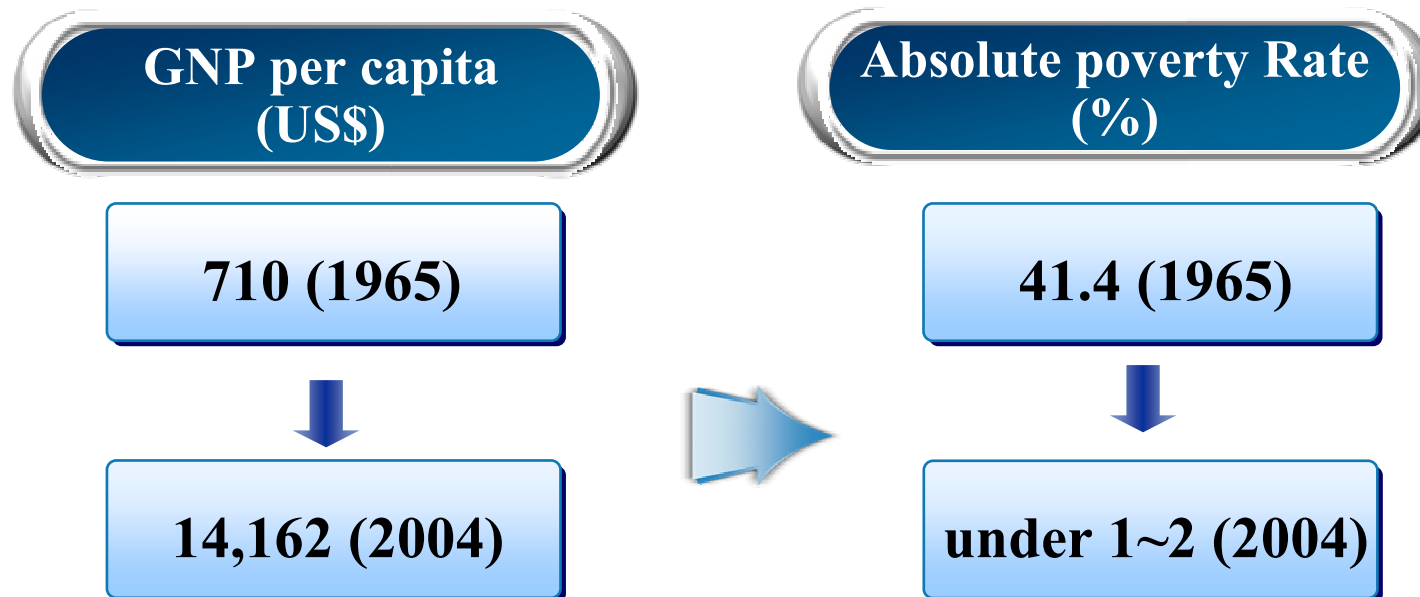
- **Relative poverty**
- **Inequality**
- **Bi-polarization in
Income distribution**

II. Economic Growth, Poverty and Inequality in Korea

1. Economic Growth and Absolute Poverty

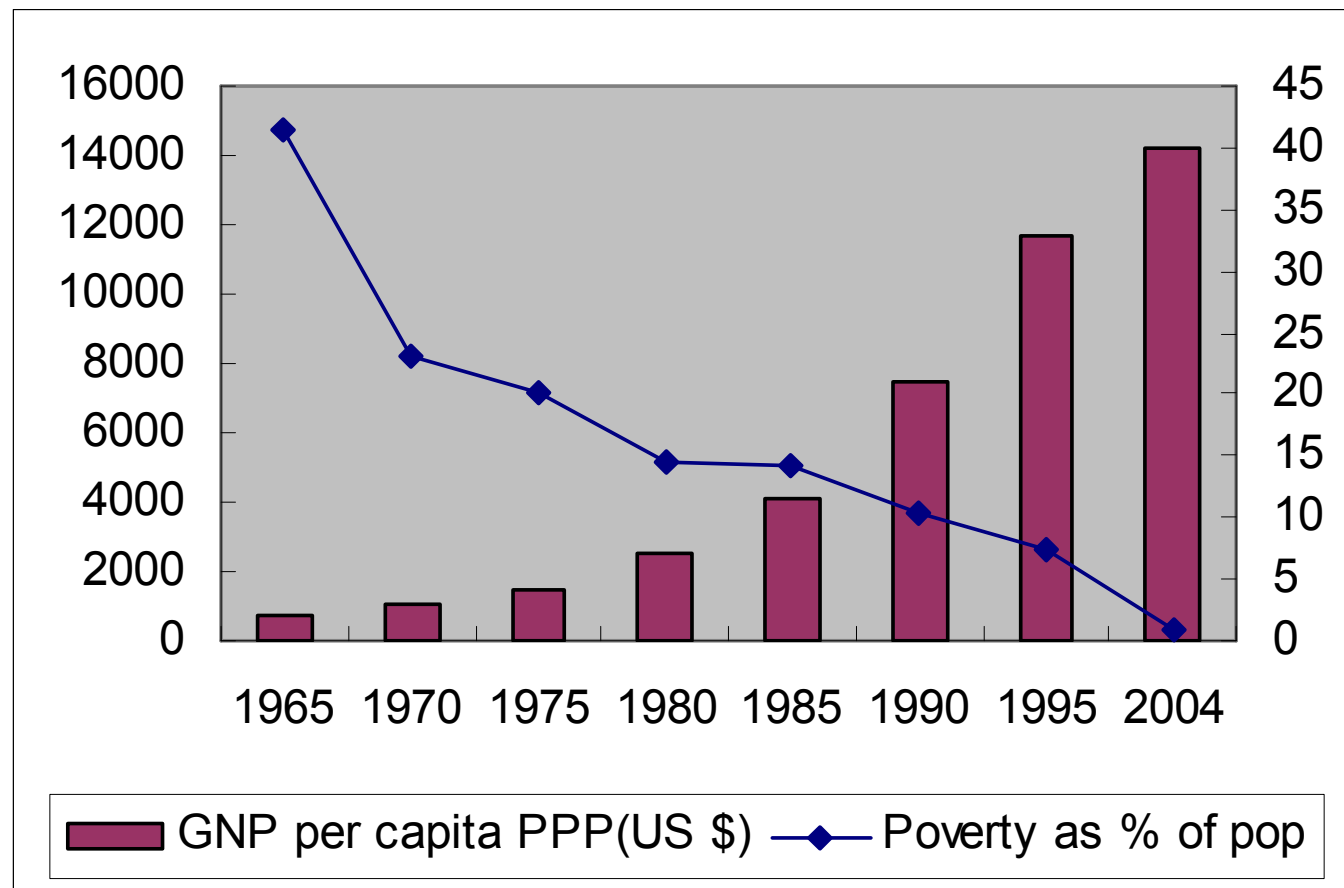
■ Economic Growth and Reduction in Absolute Poverty

- Rapid economic growth contributed to the decrease in absolute poverty rates: “Floating Effect”



II. Economic Growth, Poverty and Inequality in Korea

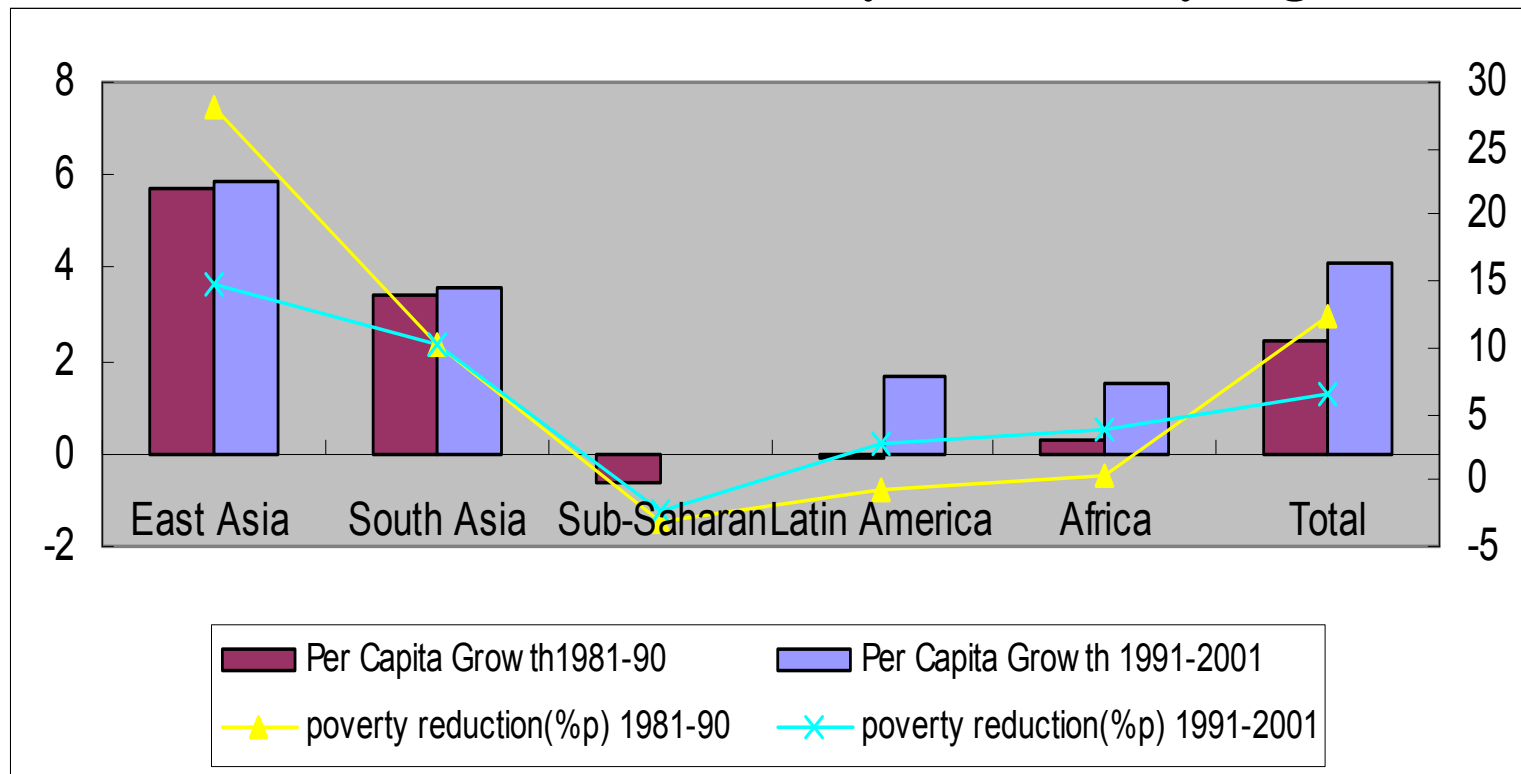
Economic Growth and Absolute Poverty in Korea



II. Economic Growth, Poverty and Inequality in Korea

- A higher economic growth rate relates to a larger decrease in absolute poverty rate in other regions.

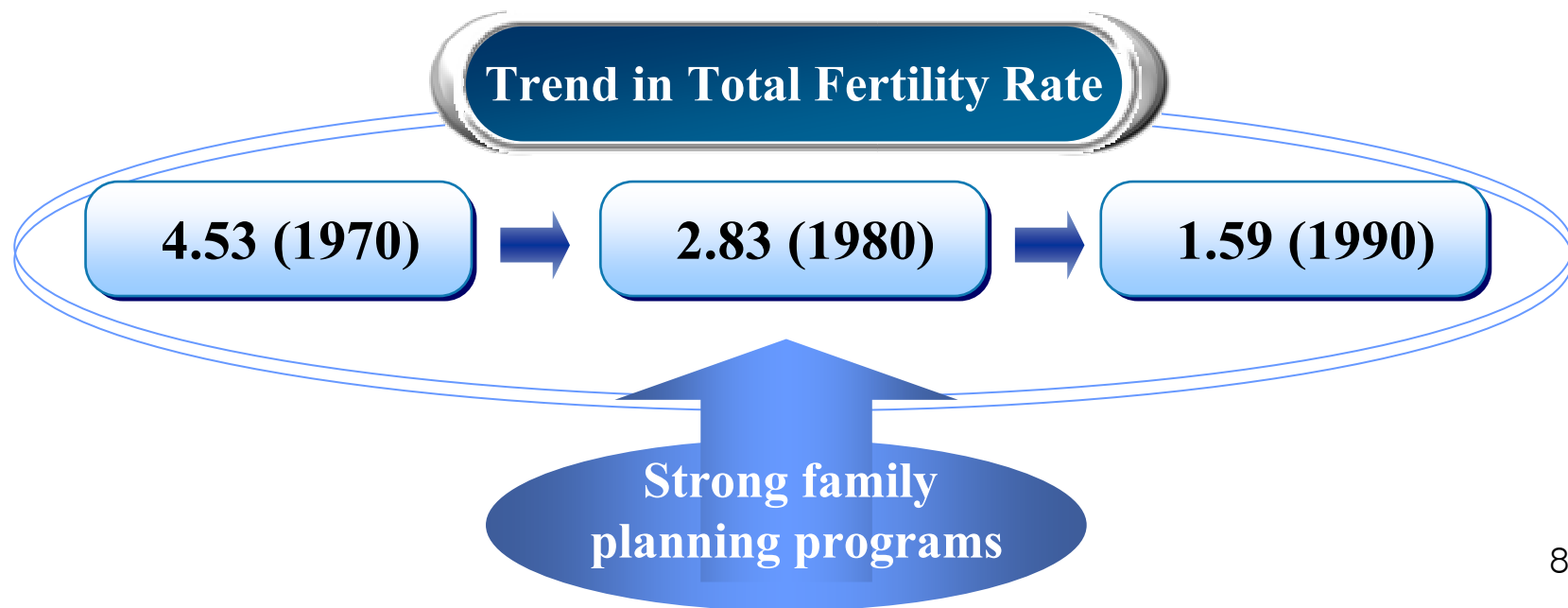
Economic Growth and Poverty Reduction by Region



II. Economic Growth, Poverty and Inequality in Korea

■ Key Factors for Reducing Absolute Poverty

- Active and heavy investment in human and physical capital by the public and the private sectors
- Effective family-planning policies



II. Economic Growth, Poverty and Inequality in Korea

● Improved social safety nets

■ Public Assistance:

- Launched in 1961
- Target group: traditionally vulnerable groups such as the elderly, the disabled, and children
- Expanded to all the citizen as a right in 1999

■ Industrial Accident Compensation Insurance:

- Launched in 1964
- Expanded to all the workplaces with at least one employee in 2000

II. Economic Growth, Poverty and Inequality in Korea

- **National Health Insurance Scheme:**

- Introduced in 1977 for workplaces with at least 500 employees
- Expanded to all the Korean citizens in 1988

- **National Pension Scheme:**

- Launched in 1988 to cover workplaces with 10 employees or more
- Expanded to all the Korean citizens in 1999

- **Unemployment Insurance:**

- Unemployment allowances, job-searching support, job training

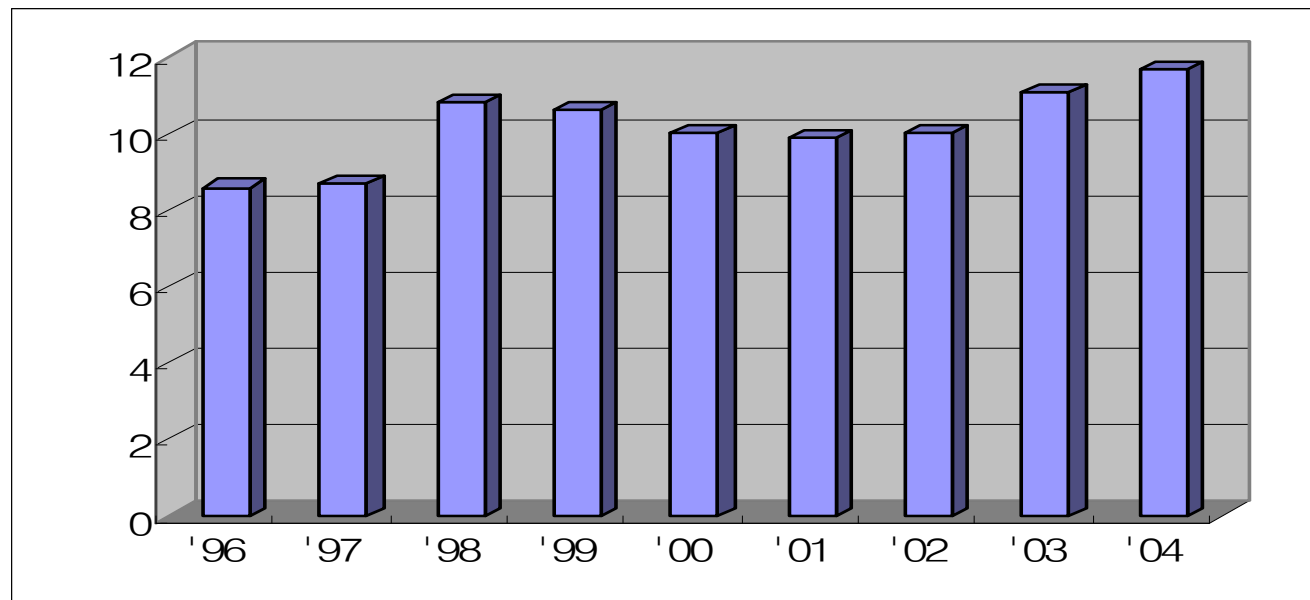
II. Economic Growth, Poverty and Inequality in Korea

2. Economic Growth and Relative Poverty

■ Increase in the Relative Poverty Rates

- 8.6% in 1996 → 10.0% in 2000 → 11.7% in 2004.
(poverty line: 50% of medium income)

Trend in the Relative Poverty Rates



II. Economic Growth, Poverty and Inequality in Korea

■ Factors for the Increase in Relative Poverty

- Globalization, and industrial and job insecurity
→ increase in the working poor**
- Low fertility and population ageing
→ increase in the poor aged**
- Changes in family structure and the break-up of families
→ Increase in the poor female householders**

II. Economic Growth, Poverty and Inequality in Korea

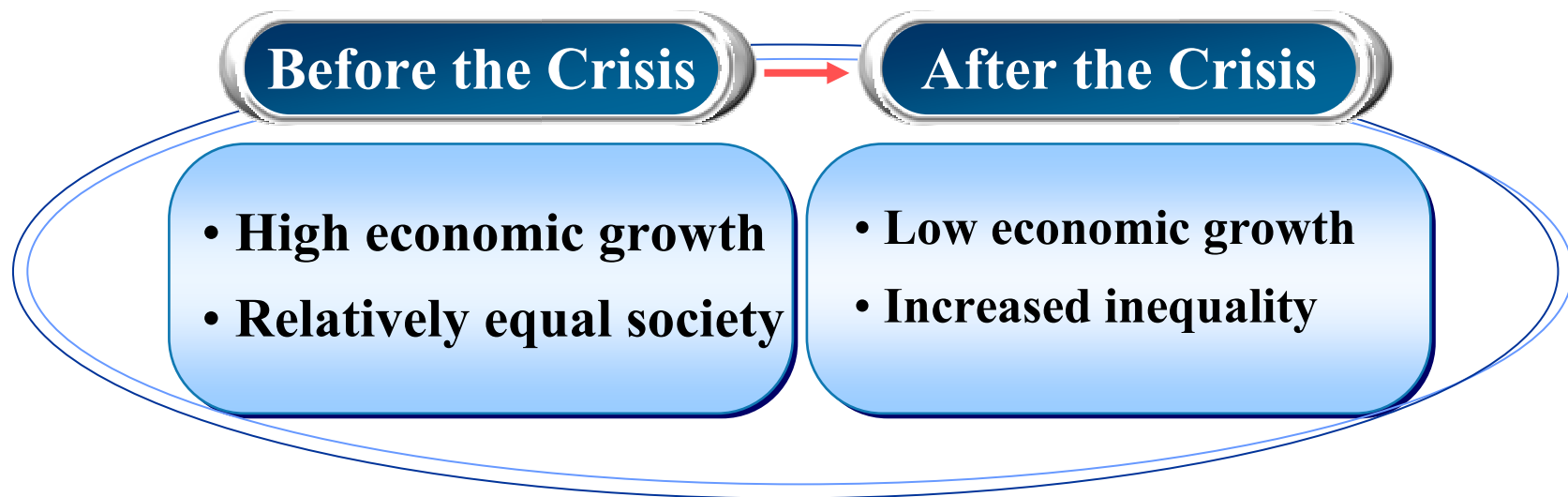
■ The importance of the strategies is increasingly recognized :

- To tackle relative poverty issues**
- To enhance equal income distribution**
- To promote social integration**

II. Economic Growth, Poverty and Inequality in Korea

3. Economic Growth and Inequality

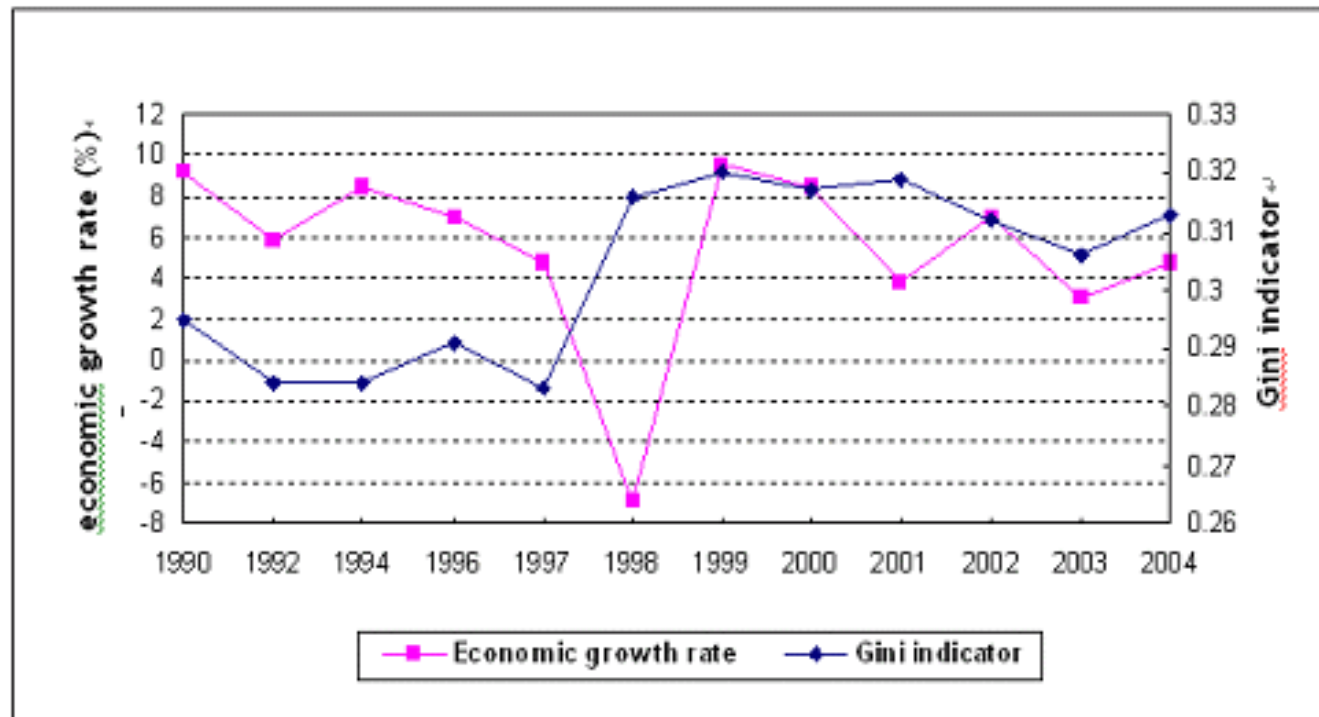
■ Inequality before and after the Financial Crisis



- The more serious the inequality, the slower the economic growth

II. Economic Growth, Poverty and Inequality in Korea

Economic Growth Rate and the Gini Indicator



Sources: Raw data from the Korea National Statistical Office's 『Survey of Urban Households』 (published annually), for each year
The Bank of Korea's website data, for each year

III. Changes in Poverty Reduction Strategies in Korea

1. Changes in Principle

“Growth First, Welfare Later”

- National development strategy before 1997
- Concentrating on economic growth
- Welfare as residual measures for the poor

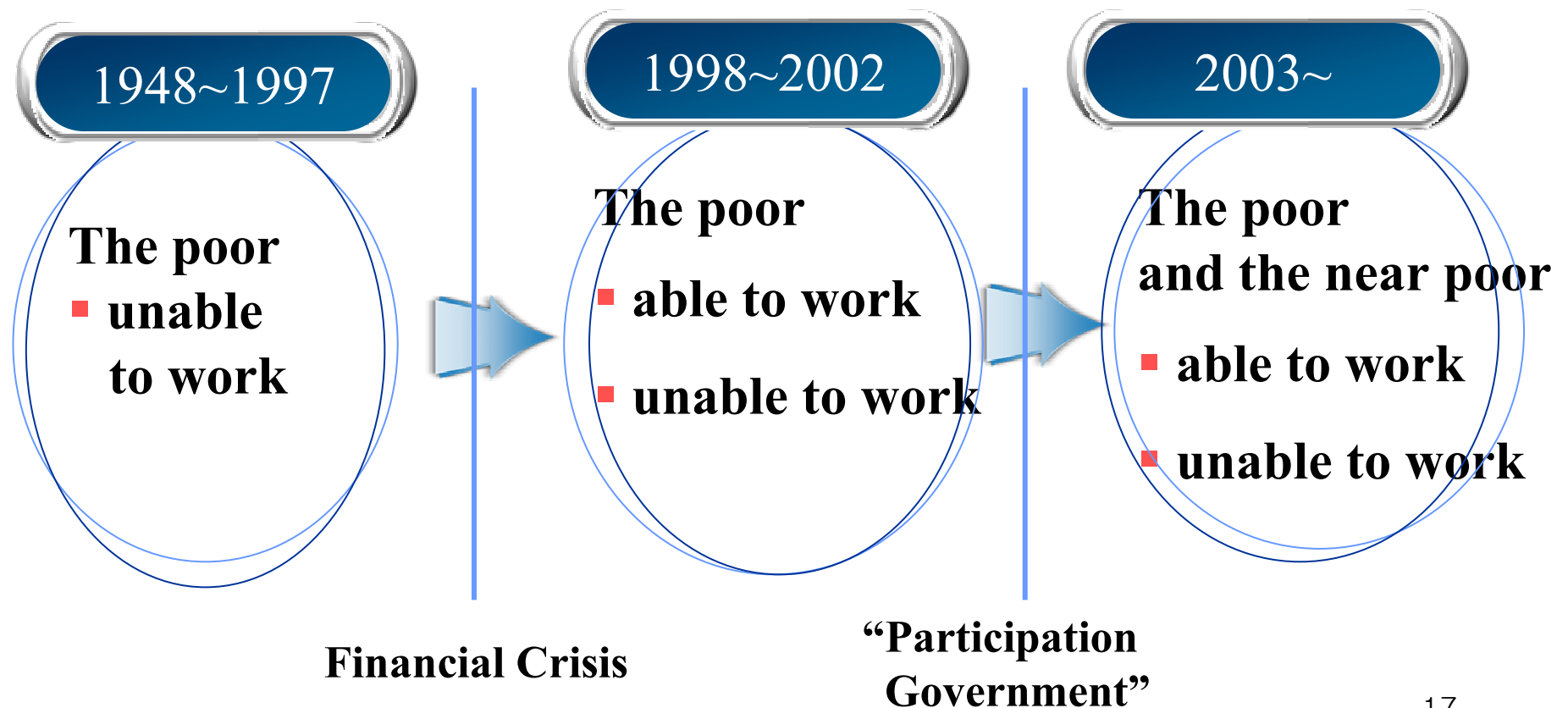


“Growth Together with Welfare”

- Development strategy since 2003
- Harmonized approach between growth and welfare
- focusing on sustainable development

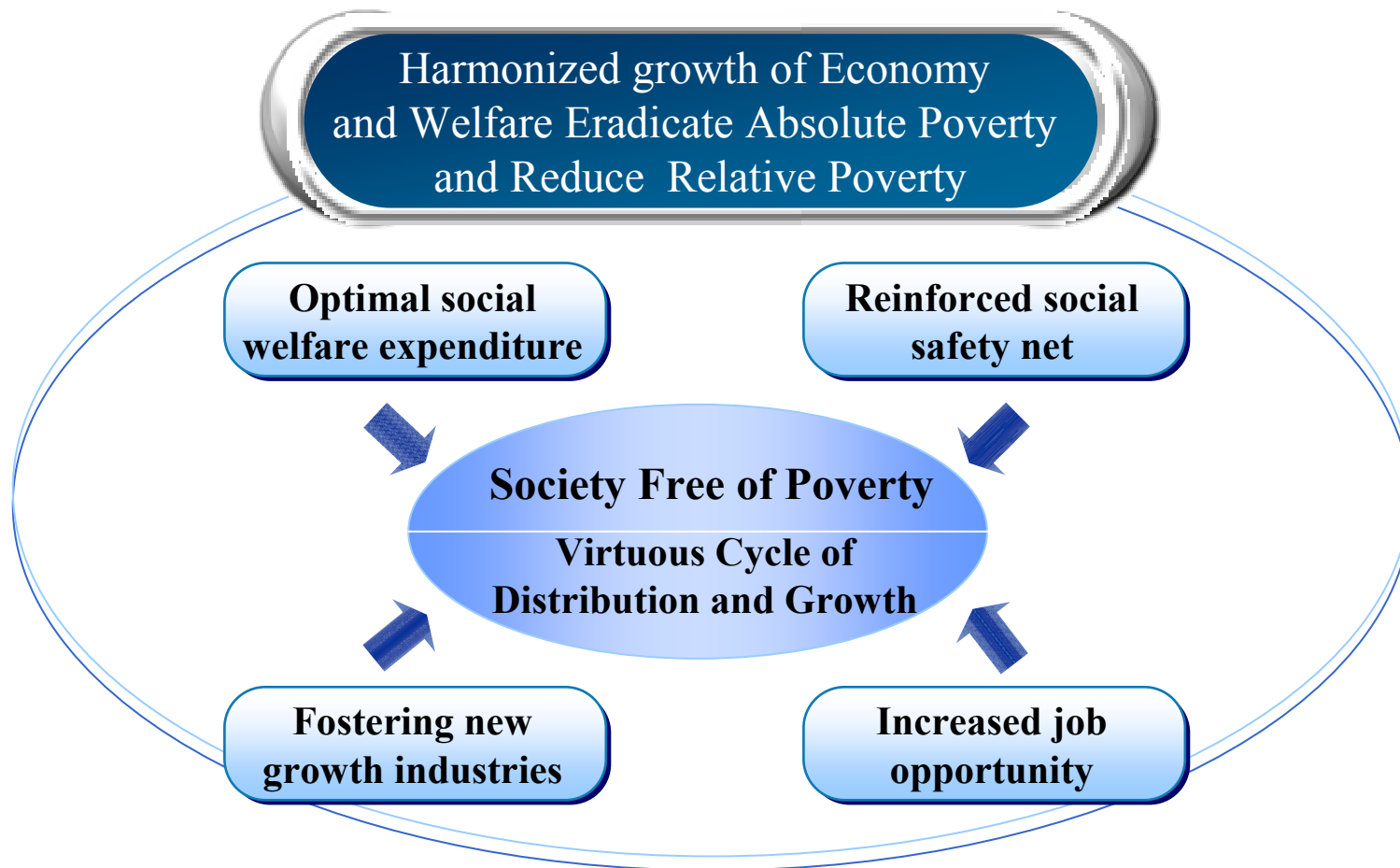
III. Changes in Poverty Reduction Strategies in Korea

2. Changes in Target Beneficiaries



III. Changes in Poverty Reduction Strategies in Korea

3. Korea's Future Vision for anti-poverty policy



IV. Implications of Korea's Experiences

- The importance of economic growth and anti-poverty policies should be emphasized to alleviate absolute poverty.**
- It is desirable to expand the target groups from the poor unable to work, to the poor able to work and the near poor.**

IV. Implications of Korea's Experiences

- Welfare policies should be designed to succeed in promoting motivation to work among the poor.**
- Proper attention should be paid to various social problems resulting from low fertility and rapid population aging.**

V. Suggestions

- **The most efficient way is to consider poverty eradication and income distribution issue from the initial level of mapping out strategies for development and growth.**

V. Suggestions

- **But putting too much importance on distribution will weaken the potential of economic growth and efficiency.**

V. Suggestions

- **As in the “Fool in the Shower”, plying between growth and distribution will cost a lot of social expenses while controlling its side effects.**

V. Suggestions

■ **For long-term and sustainable development, emphasizing one side is not desirable.**

V. Suggestions

- **It is important to set a policy direction which can establish positive relation between growth and distribution as well as harmonize efficiency and equality.**

V. Suggestions

- **Korea's "Participation Government" is emphasizing the importance of co-growth while trying to embody the vision of Social Investment State into policies.**



Thank You