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Korean Social Security Trends in Indicators

– Income and Housing

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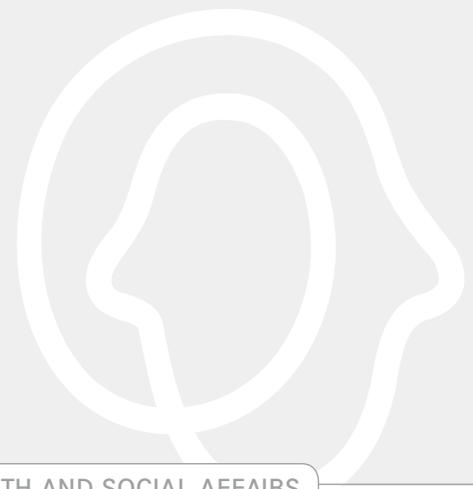
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I .

The meaning and construction of trend analysis using indicators

1. Significance of trend analysis through indicators
2. Composition of income security and housing indicators

1. Significance of trend analysis through indicators

“All citizens have dignity and value as human beings and the right to pursue happiness.”¹⁾ And human life can be realized on the basis of basic economic well-being.

- The "Korean Social Security Trends in Indicators" starts with the material basis of life, such as income, economic activity, and housing.

It aims to understand the state of housing as a place to live, the economic capacity of households to purchase necessary goods and services, economic activities to earn income, self-actualization and social participation, and income security policies for the economically vulnerable.

- Using a variety of indicators, the report examines trends over the past decade in the status of the economically vulnerable in South Korea in terms of income, expenditure, assets, and liabilities, as well as economic activities and housing. This report also seeks to identify, through international comparisons, the uniqueness of South Korea in these aspects.

2. Composition of income security and housing indicators

The household is the most basic economic unit that earns income through economic activities and leads a consumption life.

- A household shares its income and consumption with its members, accumulating the excess of income over consumption as assets and, if necessary, borrowing to maintain their livelihood.

- Income consists of labor, business, and property income, as well as private transfers from non-household members and nonprofit organizations, and public transfers from contributions and financial assistance.

Expenditures include food, housing, education, health care, communication, and transportation for daily living. It also includes private transfers to non-household members and non-profit organizations, public transfers such as social security contributions and taxes to fulfill civic responsibilities, and interest expenses on liabilities.

- Identifying the level and composition of household income, expenses, assets, and liabilities is a basic task for understanding the actual distribution of income.

1) Article 10 of the Constitution (Constitution No. 10, 1987.10.29., all amendments)

<Table 1-1> Household indicators

Indicators
① Household income and component levels
② Total household expenditures and levels by component
③ Total household assets and liabilities

Income security is a public mechanism that redistributes income within and between generations after the primary distribution in the marketplace, thereby mitigating inequality and dispersing social risk.

- The existence and size of economically vulnerable groups are identified through poverty rates, and the extent of inequality is captured through indicators such as the Gini coefficient.

It aims to identify the existence and size of economically vulnerable groups by identifying poverty rates by age groups and major household types.

- To determine the redistributive effects of income security policies by comparing income distribution indicators based on market income with income distribution indicators based on disposable income.

Market income includes labor income, business income, property income, private transfers, and private expenditures

Disposable income includes market income plus public transfers and public expenditures.

<Table 1-2> Income distribution indicators

Indicators
① (Relative) poverty rate and Gini coefficient
② Poverty rate by age group (children, young adults, middle-aged, elderly, etc.) and poverty reduction effect of public transfers
③ Poverty rate by major household type (disabled, female, single parent, etc.) and poverty reduction effects of public transfers

There are a number of activation policies in place to encourage labor market participation and escape from poverty, but there is still a significant amount of in-work poverty.

- If many people are working but living in poverty, it may reduce the incentive for individuals to participate in the labor market and reduce the utility of employment as a way out of poverty.
- The prevalence of in-work poverty can affect an individual's labor market participation, so it is important to monitor the in-work poverty rate and respond to changes in it.
- The in-work poverty rate is the percentage of employed individuals whose disposable household income is below the poverty line.

The proportion of low-wage workers is a representative indicator of the degree of wage income inequality in the labor market, and a high proportion of low-wage workers means that wage inequality is likely to be high and the probability of in-work poverty is likely to be high.

- Regular tracking of the low-wage worker ratio is necessary to understand the extent of wage inequality and how it is changing.
- The low-wage worker rate is the percentage of all wage earners who earn less than two-thirds of the median monthly wage.

The long-term unemployed are those who have been out of the labor market for a long time, have exhausted all available unemployment benefits, and are more likely to fall into poverty; the longer they are unemployed, the more difficult it is to re-enter the labor market.

- The long-term unemployed are more vulnerable to income and employment vulnerabilities than other unemployed, and their magnitude is being monitored and tracked to address these issues.
- The long-term unemployment rate is the percentage of the total unemployed who have been unemployed for more than one year.

South Korea's long-term unemployment rate does not include people who are personally preparing for employment over a long period of time, so it is necessary to identify and keep track of the number of job seekers separately.

- People who privately prepare for employment over an extended period of time are not recognized considered unemployed because they do not actively seek employment, but they are included in the inactive labor force and are not identified as long-term unemployed.
- In order to understand the characteristics of job seekers and introduce social policy programs for them in the future, it is necessary to first identify and keep track of the size of the job-seeking population.
- The rate of jobseekers refers to the size of the job-seeking population relative to the total number of economically inactive people.

Among the economically inactive population, people who are off work for no particular reason can be seen as a group with considerable potential for labor market participation, so it is essential to grasp the scale of this group to formulate policy measures for them from a social security perspective.

- Statistics Korea announces the size of the group of people who are “off work” economically inactive popidentified through the Economic Activity Census, which may be thought of as an indirect estimation of the size of the population that is looking for a job nor preparing for employment.

- The Korean government makes no official announcement of the number of young people who are NEET (Not in Education, Employment, or Training), so there is a need to estimate the size of the young population not looking for work or preparing for work.
- People who are off work are those who reported taking “off work” as a percentage of the total economically inactive population.

〈Table 1-3〉 Economic activity indicators

Indicators
① in-work poverty rate, percentage of low-wage workers
② Long-term unemployment rate, job-readiness rate, and people not working

The main indicators of the demand and supply of income security policies are the median income, the number of recipients of major income security programs and their coverage rates, and the public pension income replacement rate.

- We will analyze the trends of median income and coverage rates of key income security programs, and the trends of public pension income replacement rates through international comparisons.

The standard median income is determined as the midpoint of the national household income, which is announced after deliberation and resolution by the Central Livelihood Security Committee, following the guidelines outlined in accordance with Article 20 (2) of the Basic Livelihood Security Act.

- The standard median income is the baseline for determining the amount of benefits for 76 recipients of 12 ministries and departments, including the National Basic Livelihood Security System (Ministry of Health and Welfare, July 29, 2022), and is a key indicator for predicting the supply and demand of major welfare programs based on the standard median income level.

The number of receiving benefits people receiving benefits from South Korea’s main income security programs—the National Basic Livelihood Security, Emergency Welfare Support System, Basic Pension, and Public Pension—and those beneficiaries as a percentage of the population were used as key indicators.

- The National Basic Livelihood Guarantee is a representative income security system designed to ensure the basic livelihood of the people. In addition, due to the recent surge in the need for emergency assistance in special situations such as COVID-19, the National Basic Livelihood Security System and the Emergency Welfare Support System are considered key indicators of the supply and demand of income security policies.

The National Basic Livelihood Security is a public assistance program introduced in 2000 to provide policy support to low-income households below the minimum security level.

Emergency Welfare Support System was introduced to readily provide welfare services such as livelihood, medical, and housing support to people in sudden crisis situations.

- Basic and public pensions are the main income sources of the old-aged and serve as essential indicators for examining the supply and demand of old-age income security systems. However, quasi-public pensions (retirement pension, housing pension, farmland pension) and private pensions (individual pensions) are excluded from this analysis, as they play a limited role in old-age income security.

The basic pension supports the lives of the elderly by providing a certain amount of cash benefits every month to low-income seniors aged 65 or older (Ministry of Health and Welfare, 2022a).

The public pension is a social security system that provides income security for the elderly, and includes the National Pension for all citizens and special occupational pensions for certain occupations (civil service pension, military pension, private school teachers' pension, separate post office pension, etc).

The public pension income replacement rate is the ratio of the pension amount to the average of wages earned over the working years.

〈Table 1-4〉 Indicators of Income Security Policy Demand and Supply

Indicators
① Standard Median Income
② Take-up rate of major income security programs (National Basic Livelihood Security, public pension, basic pension, emergency welfare support, etc.)
③ Public Pension Income Replacement Rate

Key housing-related indicators include the percentage of households below minimum housing standards and rent burden as a percentage of monthly income.

- The percentage of households below the minimum housing standard indicates the percentage of those living in physically inadequate shelter, while the rent burden as a percentage of monthly income indicates the level of housing cost burden.

We looked at are trend from spanning the years 2010 to 2021 for both indicators.

The minimum housing standard is an indicator of the minimum level of housing required for people to live a comfortable and livable life as stipulated in the Basic Housing Act (Article 17 of the Act).

- Specific minimum housing standards are set by the Ministry of Land, Infrastructure, and Transport (MOLIT) in the "Minimum Residential Standards" (MOLIT Notification No. 2011-490, May 27, 2011, partially revised).

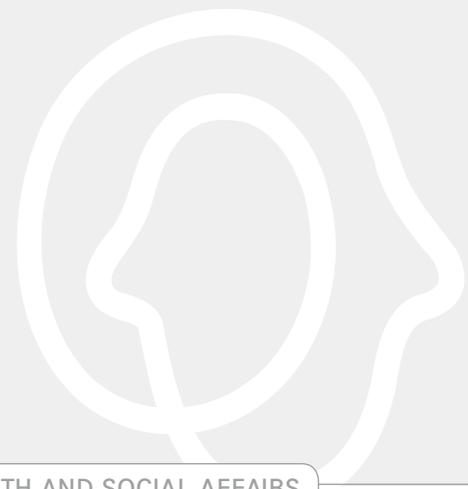
The minimum housing residential standard consists of (1) the minimum residential area by household composition and the number of rooms by use, (2) the standard for essential facilities, and (3) structural, performance, and environmental standards, and the higher the percentage of households that do not meet the minimum housing standard, the higher the percentage of households that do not receive the minimum housing right guarantee.

Rent to Income Ratio (RIR) is a proxy measure of the proportion of income spent on housing.

- A higher RIR indicates that a higher percentage of households are burdened with a high housing costs.

<Table 1-5> Housing indicators

Indicators
① Percentage of households below the minimum housing standard
② Rent burden as a percentage of monthly income



II .

Income and housing trends in indicators

1. Households
2. Income distribution
3. Economic activity
4. Demand and supply of income security policies
5. Housing

1. Households

1.1. Household Income

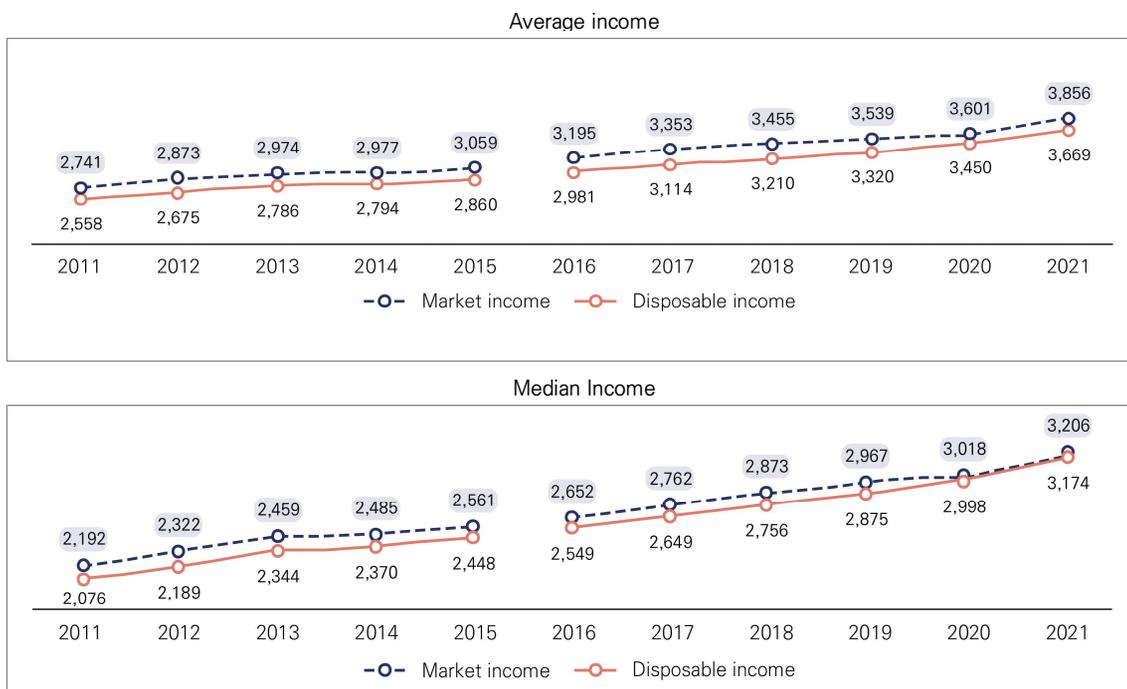
The equivalized average market income of Korean households gradually increased from KRW 27.41 million per year in 2011 to reach KRW 28.56 million in 2021.

- Disposable income, which is market income plus public expenditures and public transfers, increased from KRW 25.58 million to KRW 36.69 million over the same period.
- The median market income of households is somewhat lower than the average market income, increasing from KRW 21.92 million in 2011 to KRW 32.06 million in 2021.
- Over the same period, median disposable income gradually increased from KRW 20.76 million to KRW 31.74 million.

In South Korea, the median income is lower than the average income, which indicates that the distribution of household income in South Korea, with the lowest earners at the left end and the highest earners at the right end, has a long tail to the right, meaning a large lower-middle class.

[Figure 2-1] Household Income from 2011 to 2021

(Unit: KRW 10,000/year)



Note: Income is point-in-time. Income equalized by the square root of the number of household members. The data from 2011 to 2015 are based on survey data, the data from 2016-2021 are based on supplementary administrative data.

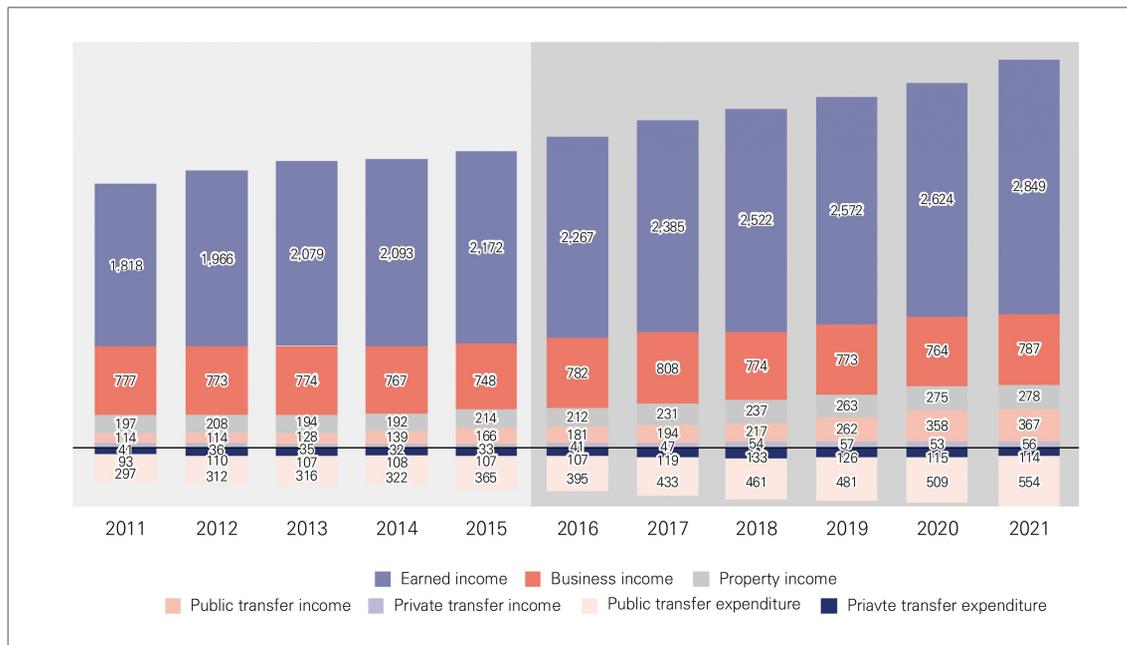
Source: Statistics Korea. (Each year). Author's analysis of raw data from the Household Financial Welfare Survey.

Over the past decade since 2011, average household income from labor has grown at a compound annual growth rate (CAGR) of 5.7%, from KRW 18.18 million in 2011 to KRW 28.49 million in 2021. On the other hand, business income remained virtually unchanged over the same period, moving from KRW 7.77 million to KRW 7.87 million.

- Average property income increased at a CAGR of 4.1% from KRW 1.97 million in 2011 to KRW 2.78 million in 2021. while private transfer income increased at a CAGR of 3.7% from KRW 410,000 to KRW 5.56 million.
- Average public transfer income increased significantly by an average annual rate of 22.2% from KRW 1.14 million to KRW 3.67 million over the same period, indicating a trend of expanding income security policies through contributions and fiscal expenditures.
- Average public transfer expenditure increased from KRW 2.97 million in 2011 to KRW 5.54 million in 2021, an average annual increase of 8.7%, while private transfer expenditure increased from KRW 930,000 to KRW 1.14 million, an average annual increase of 2.3%.

[Figure 2-2] Household Income by Component from 2011 to 2021

(Unit: KRW 10,000)



Note: Based on time of expenditure. Income equalized by the square root of the number of household members. The data from 2011 to 2015 are based on survey data, the data from 2016-2021 are based on supplementary administrative data.

Source: Statistics Korea. (2022.12.1.a). Income Distribution Indicators.

https://kosis.kr/statHtml/statHtml.do?orgId=101&tblId=DT_1HDLF05&conn_path=I3

1.2. Household expenditure

Household consumption expenditure, including food, housing, education, healthcare, transportation, and communication, was KRW 23.02 million in 2011, and increased to KRW 28.56 million in 2021, an average annual increase of 2.4%.

- Non-consumption expenditures, which include public expenditures such as taxes and social security contributions, private expenditures such as expenditures or donations for non-resident household members, and interest expenses, increased from KRW 7.57 million in 2011 to KRW 11.85 million in 2021, an average annual increase of 5.7%.

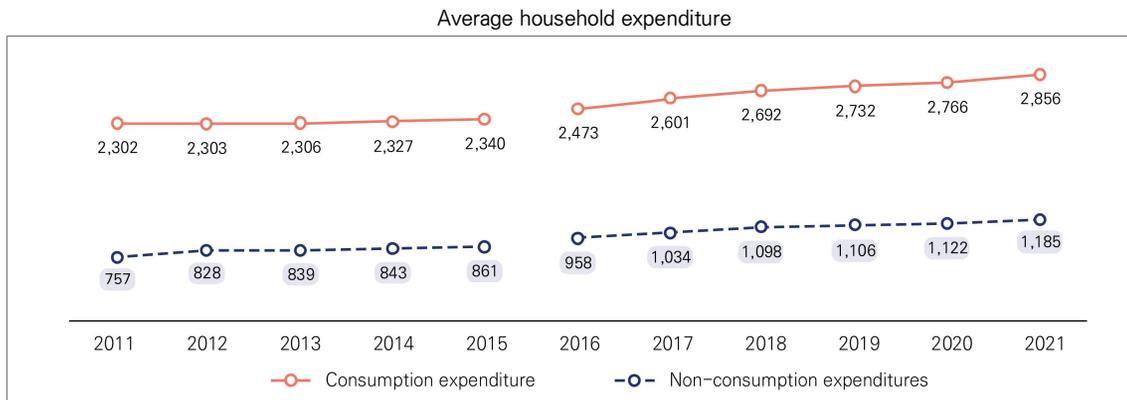
Looking at the trend of each component of household expenditure, food expenses, including eating out, increased from KRW 6.38 million in 2011 to KRW 9.08 million in 2021, an annual increase of about 4.2%.

- Housing expenses increased from KRW 2.92 million to KRW 3.44 million over the same period, at an average annual rate of about 1.8%, while education expenses decreased from KRW 3.49 million to KRW 2.88 million, at an average annual rate of about 1.7%.
- Medical expenses increased from KRW 1.32 million in 2011 to KRW 2.02 million in 2021, at an average annual rate of about 5.2%, while transportation and communication expenses did not change significantly over the same period, from KRW 2.67 million to KRW 2.62 million and KRW 1.61 million to KRW 1.69 million.
- Public expenses for taxes and social security contributions increased from KRW 4.25 million in 2011 to KRW 8 million in 2021, averaging about 8.8% per year, while private expenses increased from KRW 1.52 million to KRW 1.76 million and interest expenses increased slightly from KRW 1.81 million to KRW 2.09 million over the same period.

Although public expenditures increased by an average of about 8.8% per year, as shown in Figure 2-2, public income increased by an average of 22.2% per year, indicating that public income was returned to households at a level that exceeded the burden of public expenditures.

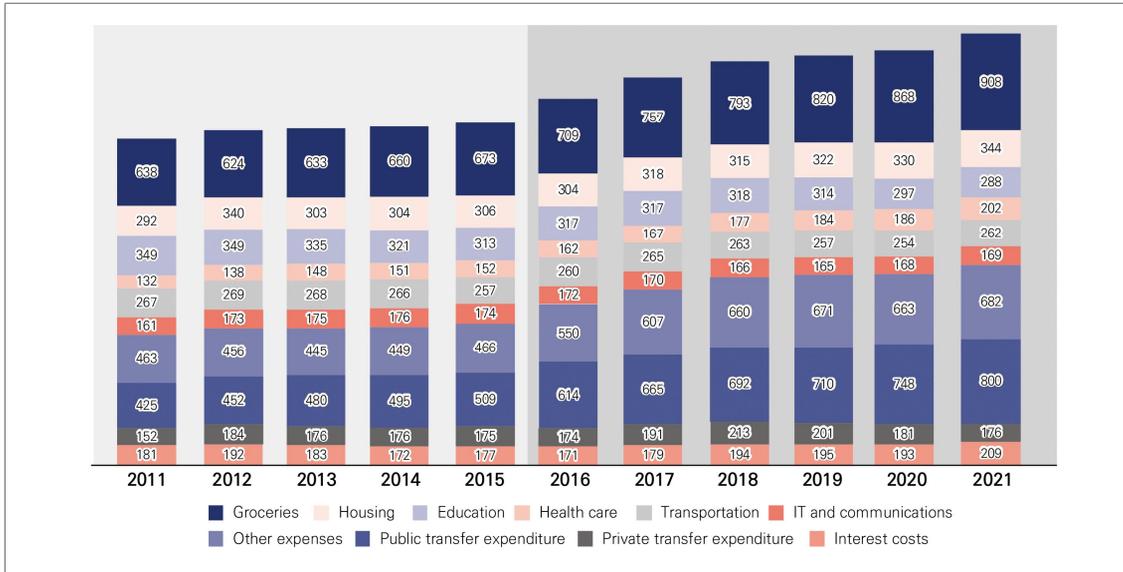
[Figure 2-3] Household Expenditure from 2011 to 2021

(Unit: KRW 10,000/year)



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Average expenditure by component



Note: Based on point-in-time income and expenditures. The data from 2011 to 2015 are based on survey data, the data from 2016-2021 are based on supplementary administrative data.

- Sources: 1) 2011-2015 consumption expenditure: Statistics Korea. (2020.12.17.a). Consumption Expenditure by Household Characteristics. Retrieved March 31, 2023, from https://kosis.kr/statHtml/statHtml.do?orgId=101&tblId=DT_1HDDB06&conn_path=I3.
- 2) Consumption Expenditure 2016-2021: Statistics Korea. (2022.12.1.b). Consumption Expenditure by Household Characteristics. Retrieved March 31, 2023, from https://kosis.kr/statHtml/statHtml.do?orgId=101&tblId=DT_1HDAB07&conn_path=I3.
- 3) Non-consumption expenditure 2011-2015: Statistics Korea. (2020.12.17.b). Non-consumption expenditure by household characteristics. Retrieved March 31, 2023, from https://kosis.kr/statHtml/statHtml.do?orgId=101&tblId=DT_1HDDB08&conn_path=I3.
- 4) Non-consumption expenditure 2016-2021: Statistics Korea. (2022.12.1.c). Non-consumption expenditure by household characteristics. Retrieved March 31, 2023, from https://kosis.kr/statHtml/statHtml.do?orgId=101&tblId=DT_1HDAB06&conn_path=I3.

1.3. Household assets and liabilities

In 2011, the average asset of all households in South Korea was KRW 323.24 million, which increased to KRW 547.72 million in 2021, an average annual increase of about 6.9%.

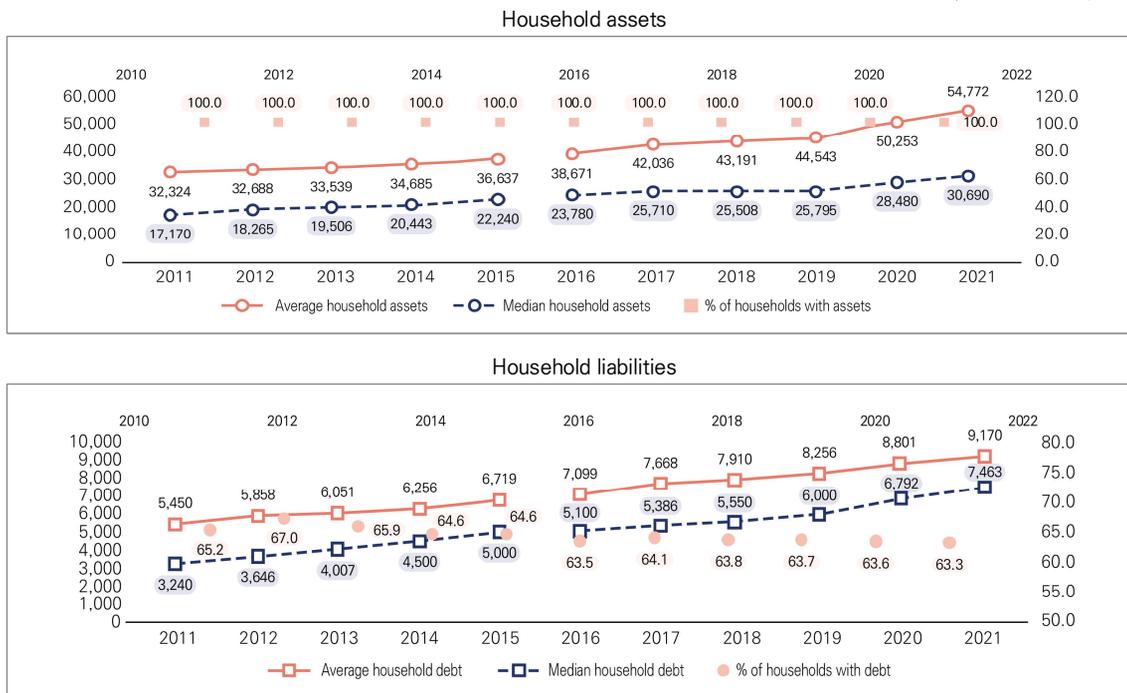
- The proportion of households with assets was 100% from 2011 to recently, meaning that almost all households have assets, and the median amount of assets held by these households increased from KRW 171.7 million in 2011 to KRW 306.9 million in 2021, an increase of about 7.9% per year.
- The distribution of assets is also skewed to the left, with the mean value being larger than the median, meaning that the lowest-asset households have assets at the left end and the highest-asset households at the right end, with relatively few high-asset households and more moderate-asset households.

The amount of liabilities held by all households in South Korea increased from KRW 54.5 million in 2011 to KRW 91.7 million in 2021, an average of 6.8% per year.

- The size of households holding liabilities increased slightly from 65.2% in 2011 to 67.0% in 2012 and then decreased slightly to 63.3% in 2021, while the median household liabilities increased from KRW 32.4 million in 2011 to KRW 74.63 million in 2021, an average annual increase of about 13.0%.

[Figure 2-4] Household assets and liabilities (2011-2021)

(Unit: KRW 10,000)



Note: Based on point-in-time income and expenditures. The data from 2011 to 2015 are based on survey data, the data from 2016-2021 are based on supplementary administrative data.

Sources: 1) 2011-2015: Statistics Korea. (2020.12.17.c). Assets and liabilities by household characteristics. Retrieved March 31, 2023, from https://kosis.kr/statHtml/statHtml.do?orgId=101&tblId=DT_1HDBD01&conn_path=I3.
 2) 2016-2021: Statistics Korea. (2022.12.1.d). Assets and liabilities by household characteristics. Retrieved March 31, 2023, from https://kosis.kr/statHtml/statHtml.do?orgId=101&tblId=DT_1HDAD01&conn_path=I3.

2. Income distribution

2.1. International comparison of poverty and Inequality

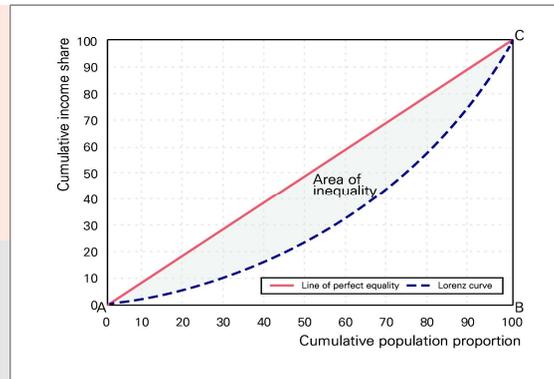
Poverty rate = (number of people in households with incomes below the poverty line / total population) × 100

- Household income: market and disposable income equalized by the square root of the number of household members
- Poverty line: 50% of median disposable income, equalized by the square root of the number of household members

Poverty alleviation effect = {(market income poverty rate - disposable income poverty rate) / market income poverty rate} × 100

Gini coefficient = Area of inequality / $\triangle ABC$
 Inequality Reduction Effect = {(market income inequality - disposable income inequality) / market income inequality} × 100

Source: www.index.go.kr (December 19, 2022). Gini coefficient. Retrieved December 20, 2022, from https://www.index.go.kr/unity/potal/main/EachDtlPageDetail.do?idx_cd=1407.



South Korea's poverty rate based on disposable income is 15.3%, the seventh highest out of 37 countries in the most recent data available.

- Costa Rica has the highest poverty rate at 20.3%, followed by Israel at 17.3%.
- The next highest poverty rates are Latvia (16.9%) and Mexico (16.6%), with South Korea's poverty rate at 16%, which is virtually indistinguishable.

South Korea's Gini coefficient is 0.331, the 10th highest in the OECD member countries.

- Costa Rica, which has the highest poverty rate, also has the highest level of inequality among the countries compared, with a Gini coefficient of 0.487.
- Other countries with high levels of inequality include Mexico, Turkmenistan, the United States, Lithuania, Latvia, and the United Kingdom.

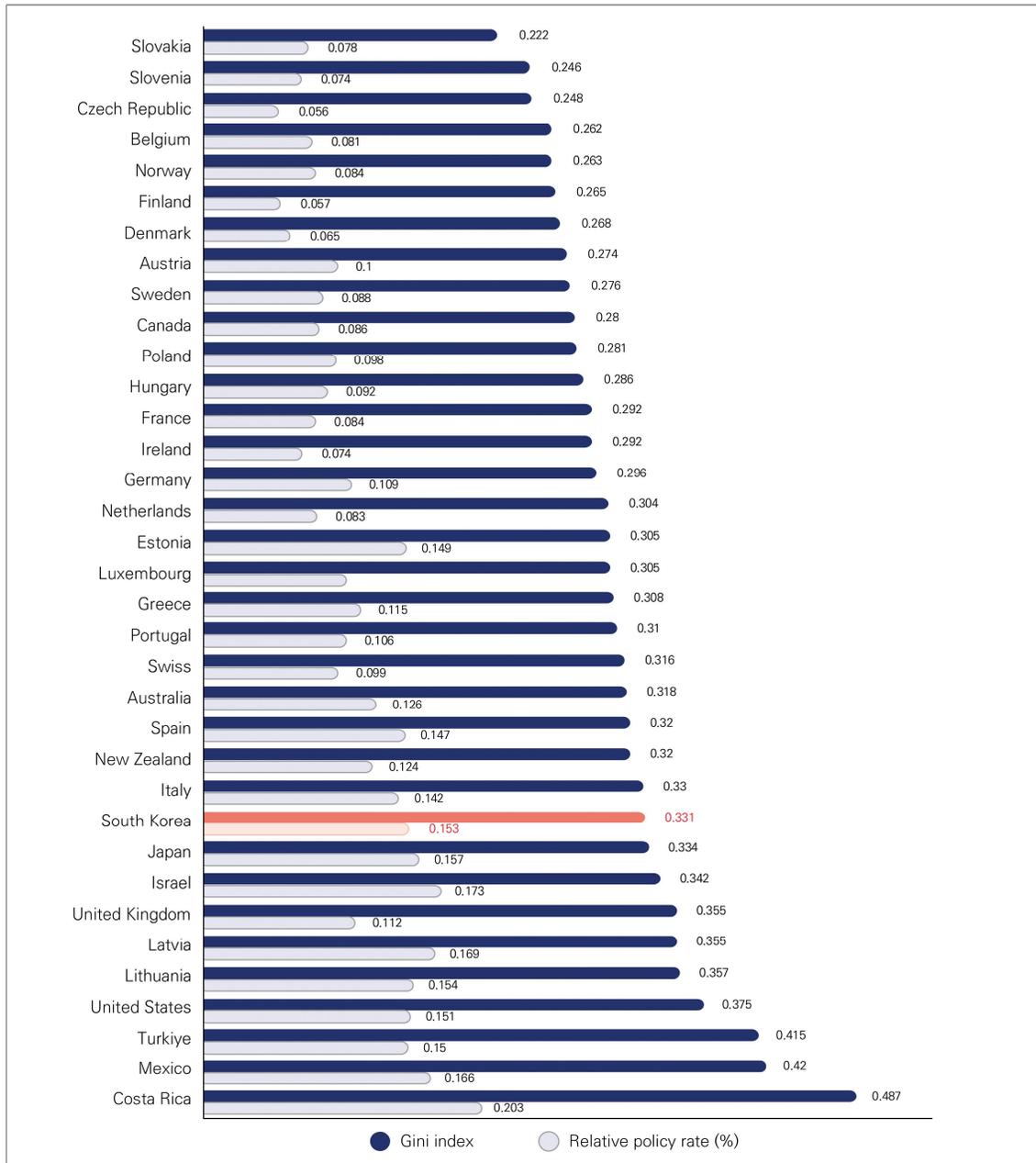
Overall, South Korea's poverty and inequality levels are relatively high compared to other OECD member countries.

- Countries with generally lower levels of poverty and inequality are traditional welfare states such as Norway, Belgium, Denmark, and Finland.

- Poverty and inequality are relatively high in Latin American countries such as Mexico, Chile, and Costa Rica, which are experiencing civil war and inflation in Syria.

[Figure 2-5] Poverty and inequality in OECD member countries

(Unit: × 100=%)



Notes: Values for 2018 through 2022 are the most recent available. Poverty is a relative poverty rate using 50% of equalized median disposable income as the poverty line. Based on disposable income, taking into account tax burden and public transfers. Ranked in descending order of inequality as measured by the Gini coefficient.

Sources: 1) (Poverty rate) OECD. (2023a). Poverty rate (indicator). Retrieved from doi: 10.1787/0fe1315d-en 2023.3.31.
 2) (Gini coefficient) OECD. (2023b). Income inequality (indicator). Retrieved from doi: 10.1787/459aa7f1-en 2023.3.31.

2.2. Poverty and inequality

The overall population poverty rate in South Korea increased from 19.6% in 2011 to 21.3% in 2020, and then eased somewhat to 20.8% in 2021, but can be seen to have worsened somewhat overall.

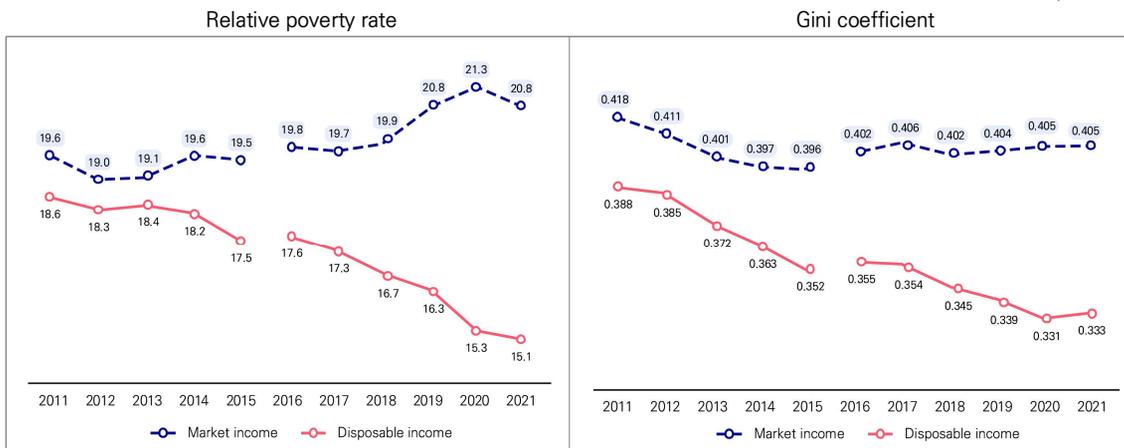
- This means that the low-income group was particularly vulnerable in the primary distribution market.
- On the other hand, the poverty rate based on disposable income, which takes into account public transfers and tax burdens, eased from 18.6% in 2011 to 15.1% in 2021, indicating that the income guarantee policy was effective in stabilizing the income of low-income people.

As shown in the figure on the right, the Gini coefficient of the entire Korean population improved from 0.418 in 2011 to 0.405 in 2021 based on market income.

- The Gini coefficient based on disposable income, which takes into account the effects of public transfers and tax policies, decreased from 0.388 in 2011 to 0.333 in 2020, which is somewhat larger than the decrease in the Gini coefficient based on market income.
- In particular, the difference between the Gini coefficient based on market income and the Gini coefficient based on disposable income indicates the effectiveness of social security policies of public transfers and taxation in reducing inequality, as the difference between the two types of Gini coefficients gradually widened, confirming the effectiveness of social security policies over the past decade.

[Figure 2-6] Domestic relative poverty rate and Gini coefficient from 2011 to 2021

(Unit: %)



Note: To calculate the relative poverty rate, the poor population is defined as household members in households with equalized income at or below 50% of the equalized median disposable income. The data from 2011 to 2015 are based on survey data, the data from 2016-2021 are based on supplementary administrative data.

Source: Statistics Korea. (2022.12.1.a). Income Distribution Indicators. <https://kosis.kr/>

statHtml/statHtml.do?orgId=101&tblId=DT_1HDLF05&conn_path=12에서 Retrieved March 31, 2023.

2.3. Poverty by age group

$$\text{Poverty rates by age group} = \frac{\text{Number of people in households with incomes at or below the poverty line in their age group}}{\text{Total number of people in that age group}} \times 100$$

The poverty rate for children and adolescents aged 0-18 in South Korea increased from 10.8% in 2011 to 14.6% in 2016 based on market income, but has since eased to 12.5% in 2021.

- The poverty rate for children and adolescents based on disposable income increased from 12.0% in 2011 to 14.6% in 2016, but gradually eased to 9.8% in 2021.
- Through 2018, the poverty rate for disposable income, which includes public assistance and public transfers, was higher than the poverty rate for market income, but in 2019, the trend reversed and the disposable income poverty rate remained lower than the market income poverty rate.

The market income-based poverty rate for young adults ages 19-34 increased slightly overall, from 8.6% in 2011 to 10.5% in 2020.

- The poverty rate based on disposable income increased from 9.2% in 2011 to 10.6% in 2017, then eased to 8.2% in 2020. In 2021, the poverty rate increased slightly to 8.8%.
- Similar to the child and youth poverty rates, the disposable income poverty rate was higher than the market income poverty rate until 2017.
- The poverty rate based on disposable income decreased in 2018, suggesting that the poverty alleviation effect of the income guarantee policy of public transfers and expenditures has begun to show.

The market income-based poverty rate for the middle-aged (35-64 years old) stabilized at 13.2% in 2011, then increased slightly to 14.8% in 2020. It eases slightly to 14.1% in 2021.

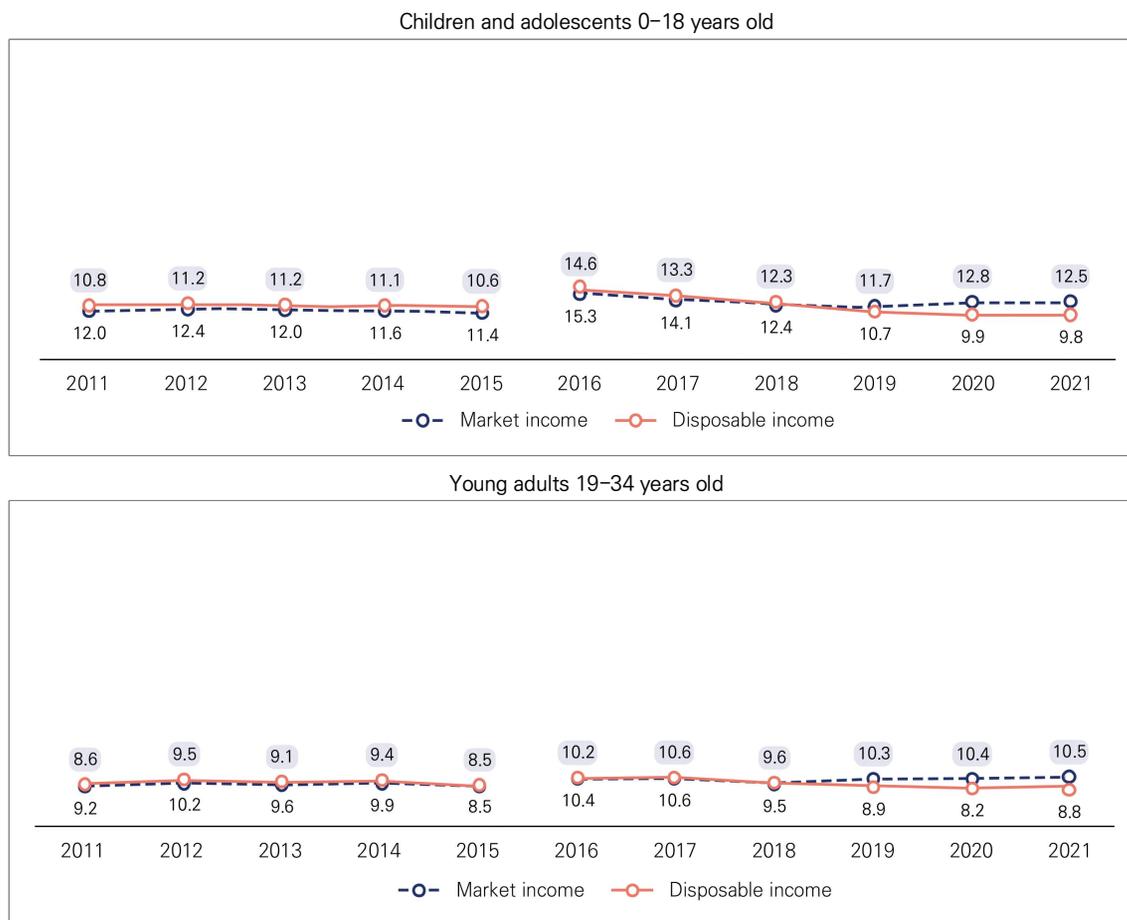
- The poverty rate based on disposable income increased to 13.6% in 2016 from 13.0% over the same period, and then gradually declined, reaching 11.1% in 2021.
- Overall, the disposable income-based poverty rate was slightly lower than the market income-based poverty rate through the mid-2010s, suggesting that public transfers and expenditures had a mitigating effect on poverty rates, but the effect was not significant.
- The difference between the market income-based poverty rate and the disposable income-based poverty rate began to diverge by more than 1 percentage point in 2018, maintaining the poverty-reducing effects of income security policies.

Notorious for having one of the highest levels of poverty in the OECD²⁾

- The poverty rate for the older population based on market income has remained high, falling from 58.7% in 2011 to 57.6% in 2020.
- The poverty rate for the elderly population based on disposable income crossed the 40% threshold from 49.1% in 2011 to 38.9% in 2020, with a downward trend to 37.7% in 2021.
- The difference between the poverty rate based on market income and the poverty rate based on disposable income indicates that the poverty alleviation effect of income security policies targeting the elderly population has gradually expanded.

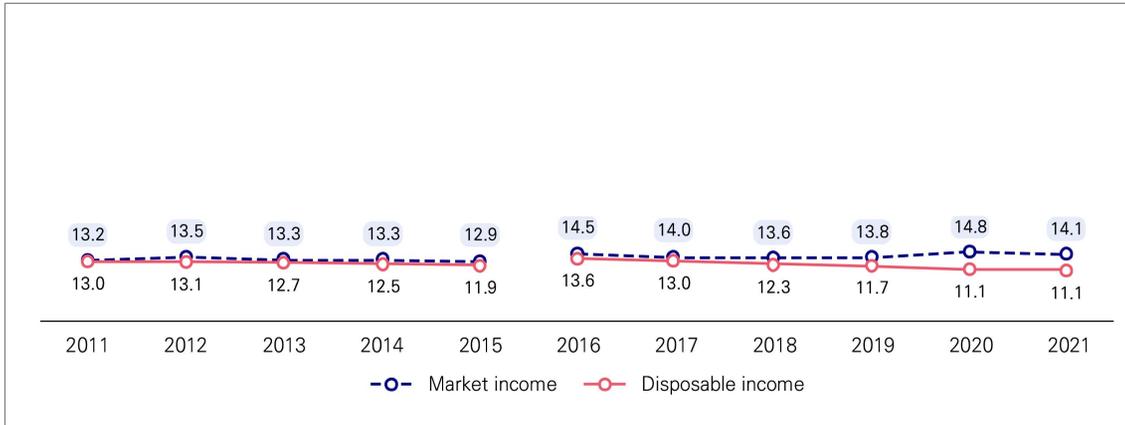
[Figure 2-7] Poverty rate by age group, 2011-2021

(Unit: %)

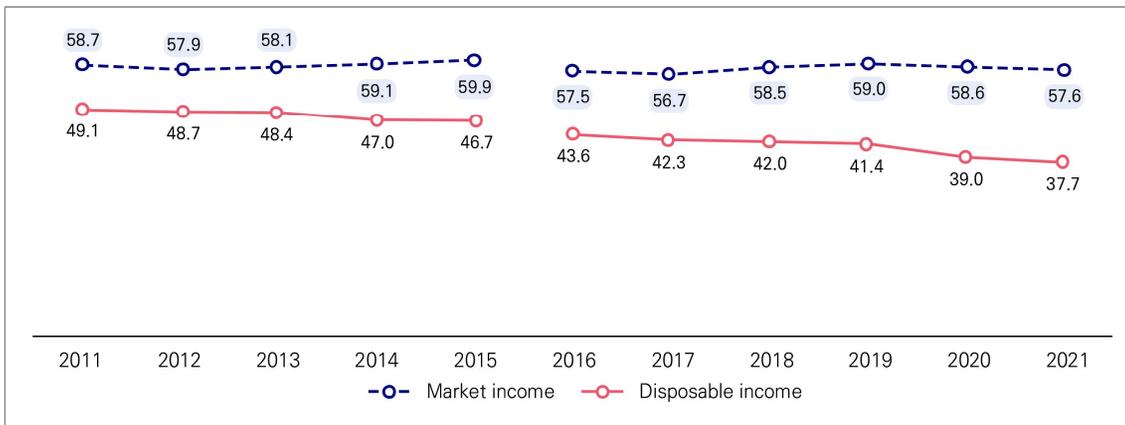


2) For more information on the OECD poverty rate for older people, see OECD. (2023a). Poverty rate (indicator). Retrieved from doi: 10.1787/ 0fe1315d-en 2023.3.31.

Middle age adults, ages 35-64



Seniors 65 and older



Note: To calculate the relative poverty rate, the poverty population is defined as household members of the corresponding age group in a household with a household's equalized income at or below 50% of the equalized median disposable income. The original data for 2011-2015 from Statistics Korea's Income Distribution Indicators are unpublished data supplemented by administrative data, so the results above, which analyze public data based on survey data, may differ from the figures from Statistics Korea. Here, the data from 2011 to 2015 are based on survey data, the data from 2016-2021 are based on supplementary administrative data.

Source: Statistics Korea. (Each year). Author's analysis of Household Financial Welfare Survey data.

2.4. Poverty rates among the elderly age groups

Since the poverty rate of the elderly is particularly high in Korea, the poverty rate of the early elderly (65-74 years old) and the late elderly (75+ years old) are presented separately.

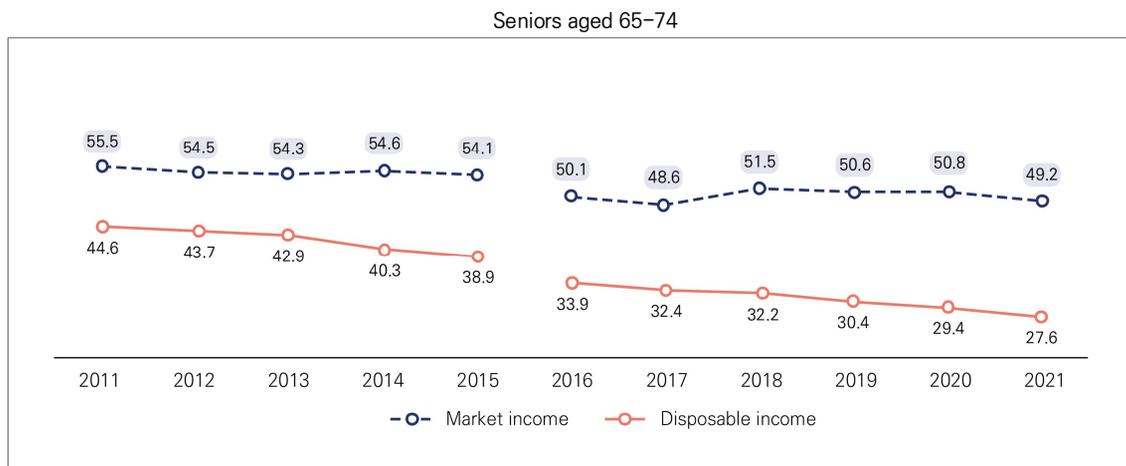
- The poverty rate based on market income for the elderly aged 65-74 gradually decreased from 55.5% in 2011 to 48.6% in 2017, then increased slightly in 2018 to 49.2% in 2021.
- The poverty rate based on disposable income has gradually decreased over the past decade, from 44.6% in 2011 to 27.6% in 2021, confirming the poverty alleviation effect of public transfers.

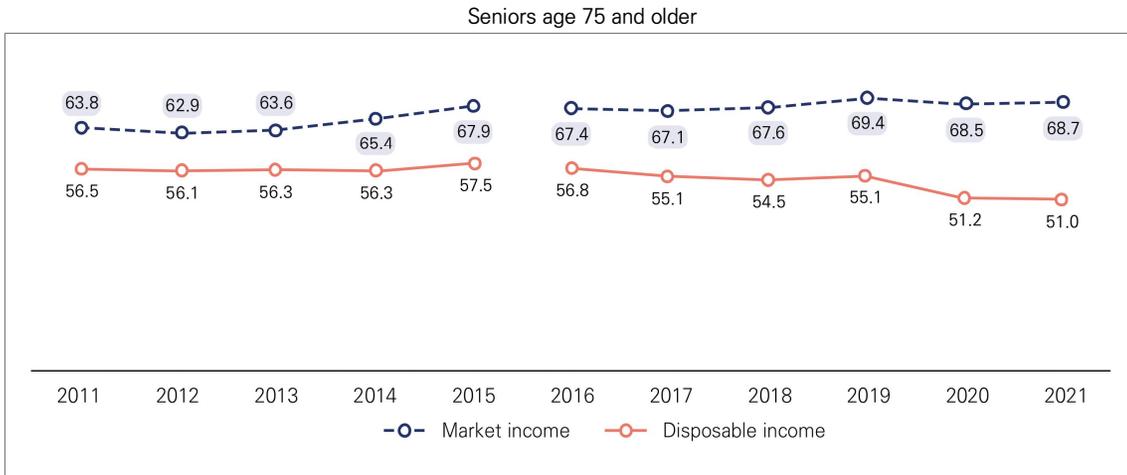
On the other hand, the poverty rate of the 75+ age group is higher than the poverty rate of the early elderly.

- The poverty rate based on market income was 63.8% in 2010. The poverty rate for those aged 75 and older has fluctuated and increased over the past decade, reaching 67.7% in 2021, indicating that nearly 7 out of 10 late-career seniors are poor.
- The poverty rate based on disposable income remained in the 55-57 percent range from 56.5 percent in 2011 to 55.1 percent in 2019, decreased by 3.9 percentage points year-over-year to 51.2 percent in 2020, and remained at 51.0 percent in 2021, indicating the poverty-reducing effects of somewhat expanded public transfers.

[Figure 2-8] Poverty rate by age group 65 and older, 2011-2021

(Unit: %)





Note: To calculate the relative poverty rate, the poverty population is defined as household members of the corresponding age group in a household with a household's equalized income at or below 50% of the equalized median disposable income. The original data for 2011-2015 from Statistics Korea's Income Distribution Indicators are unpublished data supplemented by administrative data, so the results above, which analyze public data based on survey data, may differ from the figures from Statistics Korea. Here, the data from 2011 to 2015 are based on survey data, the data from 2016-2021 are based on supplementary administrative data.

Source: Statistics Korea. (Each year). Author's analysis of Household Financial Welfare Survey data.

2.5. Poverty across major population groups and household types

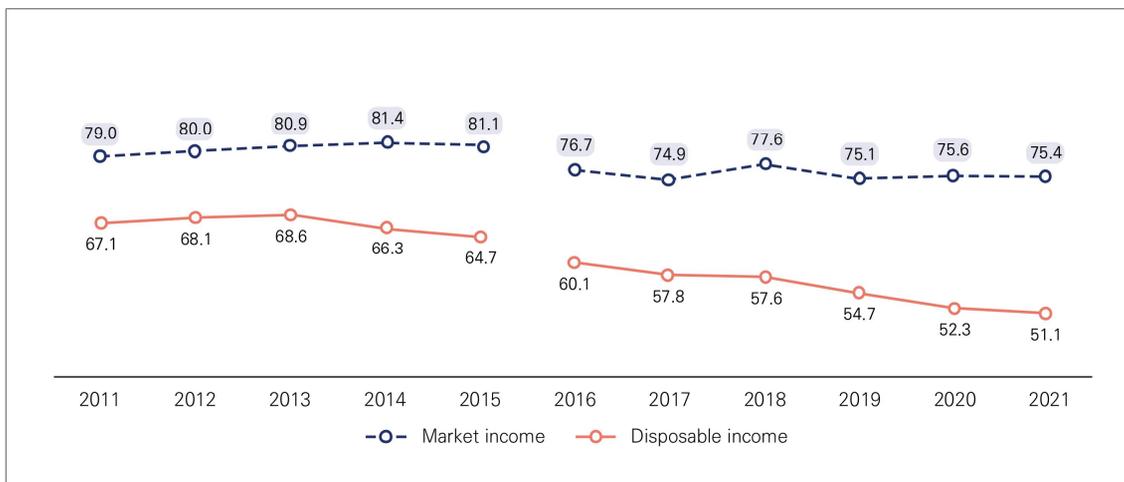
$$\text{Poverty rates across type} = \frac{\text{Number of people in that type of household with income below the poverty line}}{\text{Total population of that type}} \times 100$$

Elderly households are those in which all household members are 65 years of age or older.

- The poverty rate based on market income reached 79.0% in 2011 and remained slightly above 80% until 2015.
- The poverty rate declined slightly to 76.7% in 2016 and has since fluctuated, most recently reaching 75.4% in 2021.
- The poverty rate for elderly householders based on disposable income, which takes into account imputed income and expenses, was 67.1 percent in 2011, which is somewhat lower than the poverty rate based on market income, but still leaves about 7 in 10 elderly householders in poverty.
- The poverty rate remained around 68% until 2013, then began to decline slightly in 2014, when the basic pension was introduced, to 51.1% in 2021.

[Figure 2-9] Poverty rate of elderly households

(Unit: %)



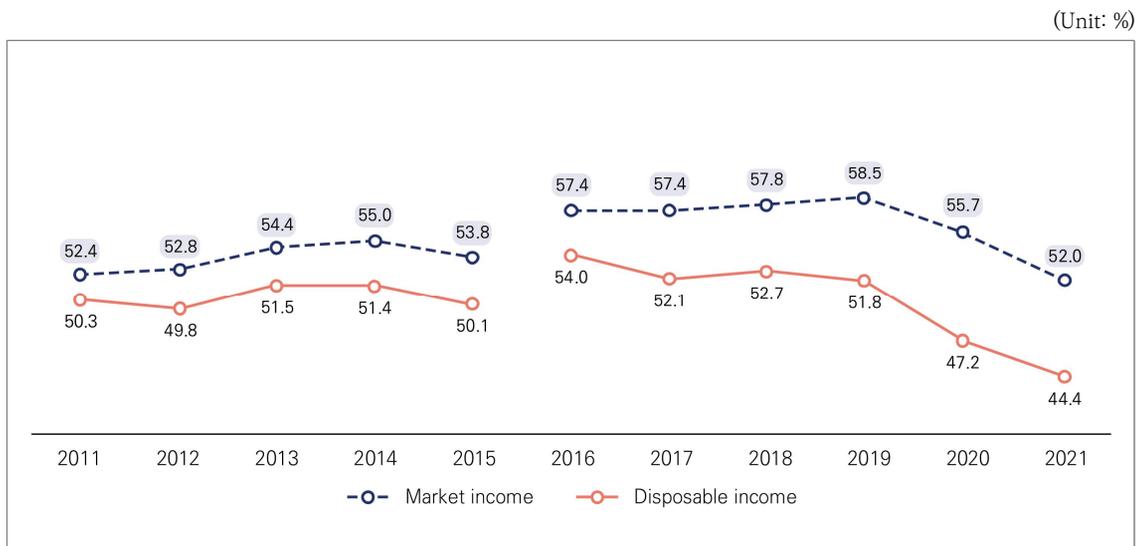
Note: To calculate the relative poverty rate, the poverty population is defined as household members of the corresponding age group in a household with a household's equalized income at or below 50% of the equalized median disposable income. The original data for 2011-2015 from Statistics Korea's Income Distribution Indicators are unpublished data supplemented by administrative data, so the results above, which analyze public data based on survey data, may differ from the figures from Statistics Korea. Here, the data from 2011 to 2015 are based on survey data, the data from 2016-2021 are based on supplementary administrative data.

Source: Statistics Korea. (Each year). Author's analysis of raw data from the Household Financial Welfare Survey.

Single-person households are defined as households with one household member.

- The poverty rate based on market income for single-person households was 52.4% in 2011, with nearly half of them living in poverty.
- The poverty rate increased slightly through 2020, reaching 58.5 percent in 2019, before beginning to decline again in 2020, reaching 52.0 percent in 2021.
- The poverty rate based on disposable income was 50.3% in 2011, only about 2.1 percentage points higher than the poverty rate based on market income.
- The poverty rate based on disposable income was 50.3% in 2011, which was only about 2.1 percentage points higher than the poverty rate based on market income.

[Figure 2-10] Poverty rate of single-person households



Note: To calculate the relative poverty rate, the poverty population is defined as household members of the corresponding age group in a household with a household's equalized income at or below 50% of the equalized median disposable income. The original data for 2011-2015 from Statistics Korea's Income Distribution Indicators are unpublished data supplemented by administrative data, so the results above, which analyze public data based on survey data, may differ from the figures from Statistics Korea. Here, the data from 2011 to 2015 are based on survey data, the data from 2016-2021 are based on supplementary administrative data.

Source: Statistics Korea. (Each year). Author's analysis of Household Financial Welfare Survey data.

Households with disabilities are those with at least one person with a registered disability.

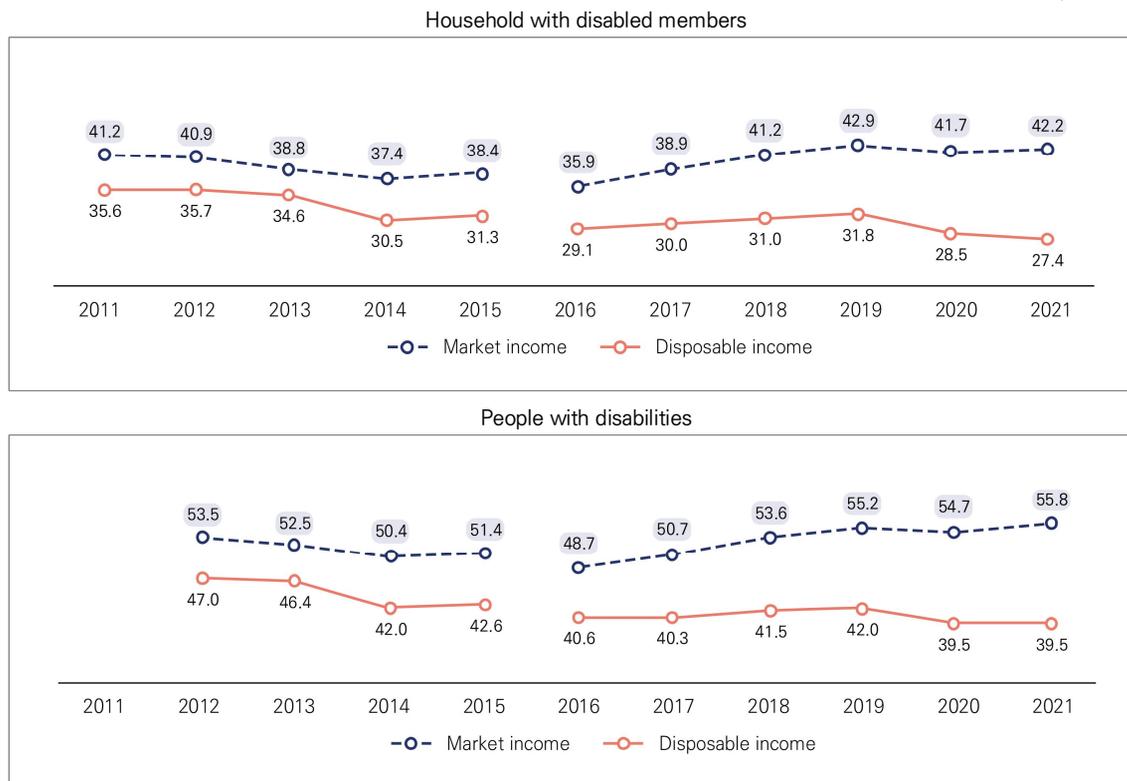
- The poverty rate based on market income for people with disabilities was 41.2% in 2011, decreased slightly to 35.9% in 2016, but increased again to 42.2% as recently as 2021.
- In contrast, the poverty rate based on disposable income gradually declined from 35.6% over the same period to 29.1% in 2016. It increased slightly from 2017 to 2019, but declined slightly again in 2020, reaching 27.4% in 2021.

The poverty rate for individuals with registered disabilities is higher than the poverty rate for household members.

- Since 2012, when data is available, the poverty rate based on market income is 53.5%, meaning that about 1 in 2 people with disabilities are poor.
- The overall poverty rate decreased until 2016, but increased again, reaching 55.8% in 2021.
- The poverty rate based on disposable income was 47.0% in 2012, then gradually decreased to 40.3% in 2017, increased slightly through 2019, and then decreased again in 2020 to 39.5% in 2021.

[Figure 2-11] Poverty Rate of Households with Disabilities

(Unit: %)



Note: To calculate the relative poverty rate, the poverty population is defined as household members of the corresponding age group in a household with a household's equalized income at or below 50% of the equalized median disposable income. The original data for 2011-2015 from Statistics Korea's Income Distribution Indicators are unpublished data supplemented by administrative data, so the results above, which analyze public data based on survey data, may differ from the figures from Statistics Korea. Here, the data from 2011 to 2015 are based on survey data, the data from 2016-2021 are based on supplementary administrative data.

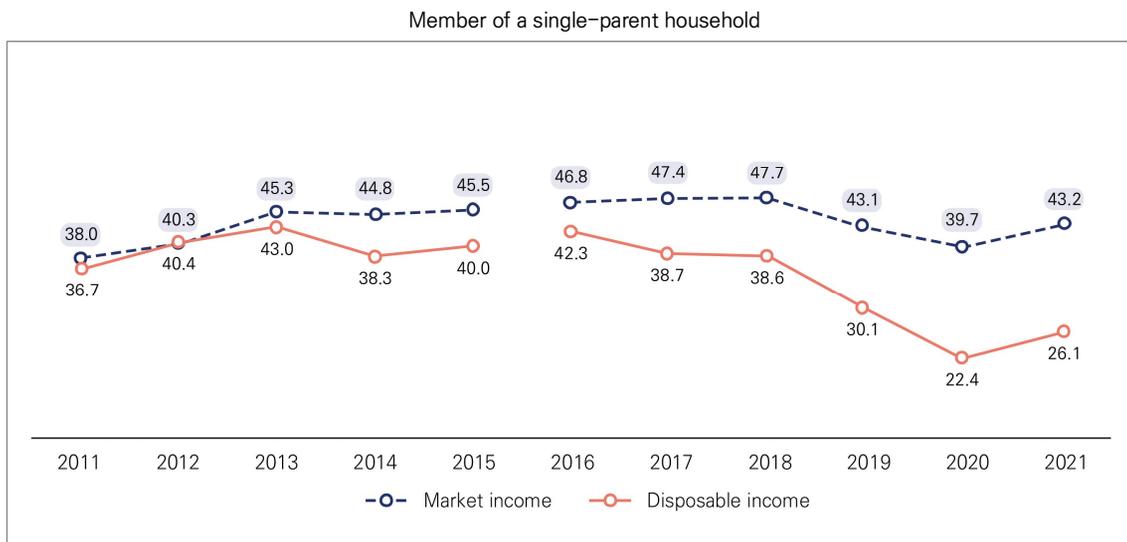
Source: Statistics Korea. (Each year). Author's analysis of raw data from the Household Financial Welfare Survey.

Single-parent households are households with one parent and at least one unmarried child under the age of 18.

- Their poverty rate based on market income increased from 38.0% in 2011 to reach 47.7% in 2018, then decreased to 39.7% in 2020, but increased again to 43.2% in 2021.
- The poverty rate based on disposable income was 36.7% in 2011, only 1.3 percentage points smaller than the poverty rate based on market income.
- The disposable income poverty rate increased slightly through 2013, then leveled off and gradually decreased to 22.4% in 2020, but increased slightly again to 26.1% in 2021, similar to the trend of the market income poverty rate.
- This is about 17.1 percentage points lower than the poverty rate based on market income, suggesting that the income redistribution mechanism of public transfers and expenditures has played a role in reducing the poverty rate among single-parent households.

[Figure 2-12] Poverty rates of single-parent households

(Unit: %)



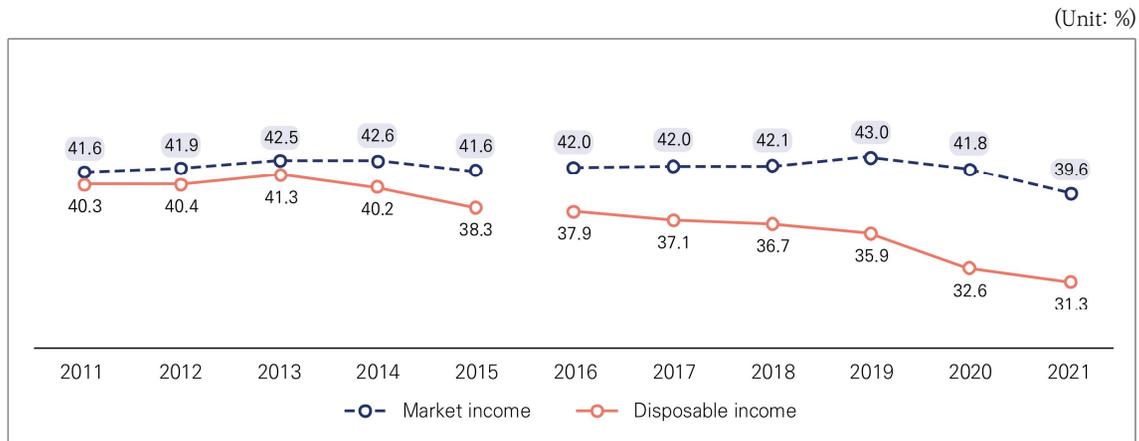
Note: To calculate the relative poverty rate, the poverty population is defined as household members of the corresponding age group in a household with a household's equalized income at or below 50% of the equalized median disposable income. The original data for 2011-2015 from Statistics Korea's Income Distribution Indicators are unpublished data supplemented by administrative data, so the results above, which analyze public data based on survey data, may differ from the figures from Statistics Korea. Here, the data from 2011 to 2015 are based on survey data, the data from 2016-2021 are based on supplementary administrative data.

Source: Statistics Korea. (Each year). Author's analysis of raw data from the Household Financial Welfare Survey.

Finally, we checked the poverty rate of female-headed households with female gender.

- In 2011, the poverty rate for market income was 41.6%, which remained around 42% until 2020 and then decreased slightly to 39.6% in 2021.
- On the other hand, the poverty rate based on disposable income increased from 40.3% during the same period to around 40% until 2014, and then gradually decreased to 31.3% in 2021, confirming the poverty alleviation effect of public transfers and expenditures.

[Figure 2-13] Poverty rate of female-headed households



Note: To calculate the relative poverty rate, the poverty population is defined as household members of the corresponding age group in a household with a household's equalized income at or below 50% of the equalized median disposable income. The original data for 2011-2015 from Statistics Korea's Income Distribution Indicators are unpublished data supplemented by administrative data, so the results above, which analyze public data based on survey data, may differ from the figures from Statistics Korea. Here, the data from 2011 to 2015 are based on survey data, the data from 2016-2021 are based on supplementary administrative data.

Source: Statistics Korea. (Each year). Author's analysis of Household Financial Welfare Survey data.

3. Economic activity

3.1. In-work poverty rate

$$\text{In-work Poverty Rate} = \frac{\text{Number of people aged 15-64 in employment, with household income at or below the poverty line}}{\text{Population aged 15-64 in employment}} \times 100$$

- Household income: disposable income equalized by the square root of the number of people in the household
- Poverty line: 60% of median disposable income, equalized
- Population in employment: Population employed at the time of the survey (including unpaid family workers).

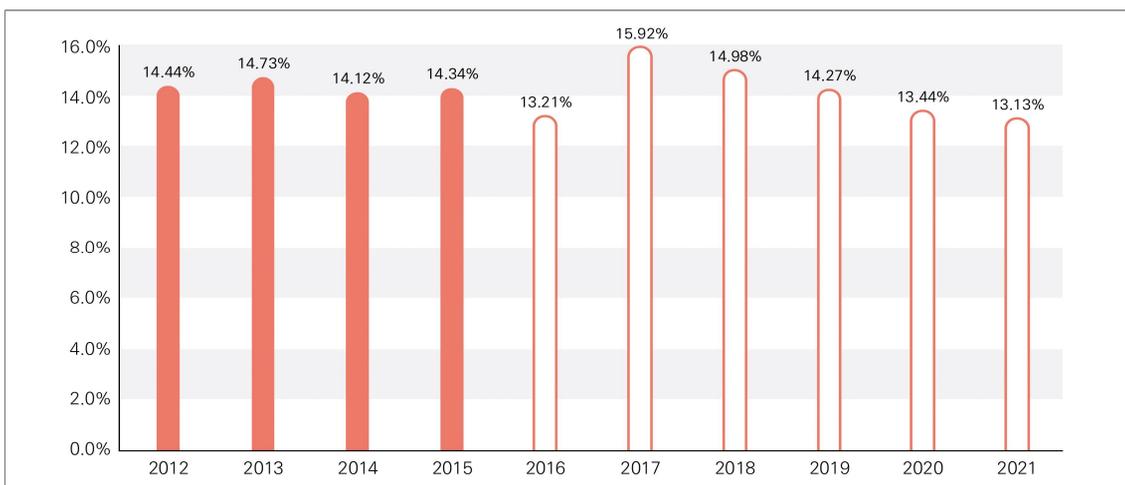
The in-work poverty rate in South Korea has been decreasing since 2017 until recently.

- After rising to 15.92% in 2017, the in-work poverty rate in South Korea decreased slightly each year to 13.13% in 2021.
- The in-work poverty rate in 2021 was the lowest since 2012.

Between 2012 and 2021, the in-work poverty rate generally hovered around 13-14%.

- In 2012, the in-work poverty rate in South Korea was 14.44%, and then remained at a similar level until 2015, before dropping significantly by more than 1 percentage point to 13.21% in 2016.
- In 2017, the rate increased by more than 2.7 percentage points from the previous year, reaching 16%, but then continued to decline, reaching 14% in 2018 and 2019, and 13% in 2020 and 2021.

[Figure 2-14] Trends in working poverty rates (2012-2021)



Notes: The data from 2012-2015 are based on survey data, the data from 2016-2021 are based on supplemental administrative data.

Source: Statistics Korea. (Each year). Author's analysis of raw data from the Household Financial Welfare Survey.

3.2. Percentage of low-wage workers

$$\text{Percentage of low-wage workers} = \frac{\text{Number of wage earners below } 2/3 \text{ of the median monthly wage}}{\text{Total number of wage earners}} \times 100$$

The percentage of low-wage workers in South Korea has been declining since 2013, when it reached 24.7%, and is expected to reach 15.6% by 2021.

The gap between male and female low-wage workers is large.

- Male low-wage workers decreased from 16.5% in 2012 to 10.2% in 2021, while female low-wage workers remained in the 30% range through 2018, up from 37.3% in 2012.
- In 2021, the proportion of low-wage workers among women decreased to 24.3%, but was still 2.5 times higher than among men.

<Table 2-1> Trends in the percentage of low-wage workers (2012–2021)

(Unit: %)

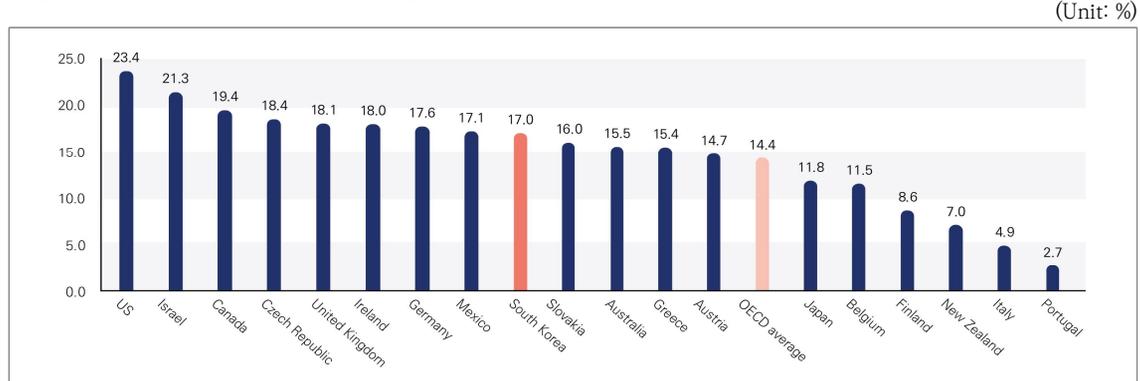
구분	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
All	23.9	24.7	23.7	23.5	23.5	22.3	19.0	17.0	16.0	15.6
Men	16.5	16.6	15.4	15.2	15.3	14.3	12.1	11.1	10.5	10.2
Women	37.3	38.9	37.8	37.6	37.2	35.3	30.0	26.1	24.7	24.3

Sources: OECD. (2022a). Decile ratios of gross earnings : Incidence of low pay. Retrieved from https://stats.oecd.org/Index.aspx?DataSetCode=DEC_I 2022.10.30.

The percentage of low-wage workers in South Korea exceeds the average for OECD member countries.

- As of 2019, the average share of low-wage workers in OECD member countries was 14.4%, but South Korea's share was 17.0%, 2.6 percentage points higher.

[Figure 2-15] Percentage of low-wage workers in selected OECD member countries (2019)



Source: OECD. (2022a). Decile ratios of gross earnings : Incidence of low pay. Retrieved from https://stats.oecd.org/Index.aspx?DataSetCode=DEC_I

3.3. Long-term unemployment rate

$$\text{Long-term unemployment rate} = \frac{\text{Number of people who have been unemployed for over a year}}{\text{Total number of people who are unemployed}} \times 100$$

South Korea has one of the lowest long-term unemployment rates among OECD member countries.

- In 2021, South Korea's official long-term unemployment rate was 1.2%, the lowest among OECD member countries.
- South Korea's long-term unemployment rate is very low compared to other countries, hovering around 1% annually.

Considering the limitations of long-term unemployment data, supplementary indicator management is needed.

- Due to the mismatch between the operational definition of long-term unemployment and the characteristics of the Korean labor market, the long-term unemployment rate in South Korea tends to be underestimated.
- Therefore, in order to develop a practical response to long-term unemployment, it is necessary to examine the proportion of job seekers and those who are “off work” among the economically inactive population.

<Table 2-2> Trends in long-term unemployment rates (2012–2021)

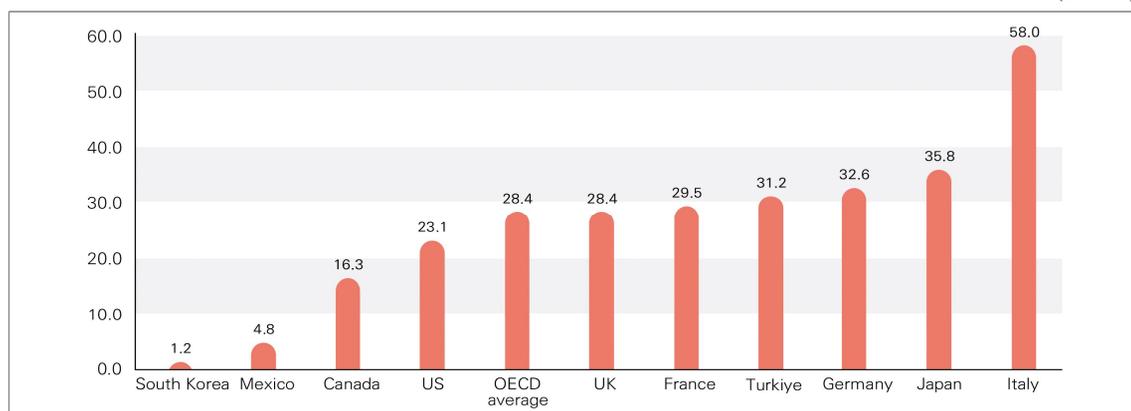
(Unit: %)

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
0.3	0.4	0.2	0.4	0.9	1.3	1.4	0.9	0.6	1.2

Source: OECD. (2022b). Incidence of unemployment by duration. Retrieved from https://stats.oecd.org/Index.aspx?DataSetCode=DUR_D 2022.10.30.

[Figure 2-16] Long-term unemployment rates for selected OECD member countries (2021)

(Unit: %)



Source: OECD. (2022b). Unemployment rates by period. Retrieved from https://stats.oecd.org/Index.aspx?DataSetCode=DUR_D on October 30, 2022.

3.4. The percentage of job seekers within the economically inactive population

- Percentage of people preparing for employment = (Number of people economically inactive but preparing for employment / Total population economically inactive) × 100
- Preparation for employment: Activities that fall under the non-economically active status of the Economic Activity Census items 'Attending school or institution for employment (high school, vocational training institution, etc.)' and 'Other preparation for employment'.

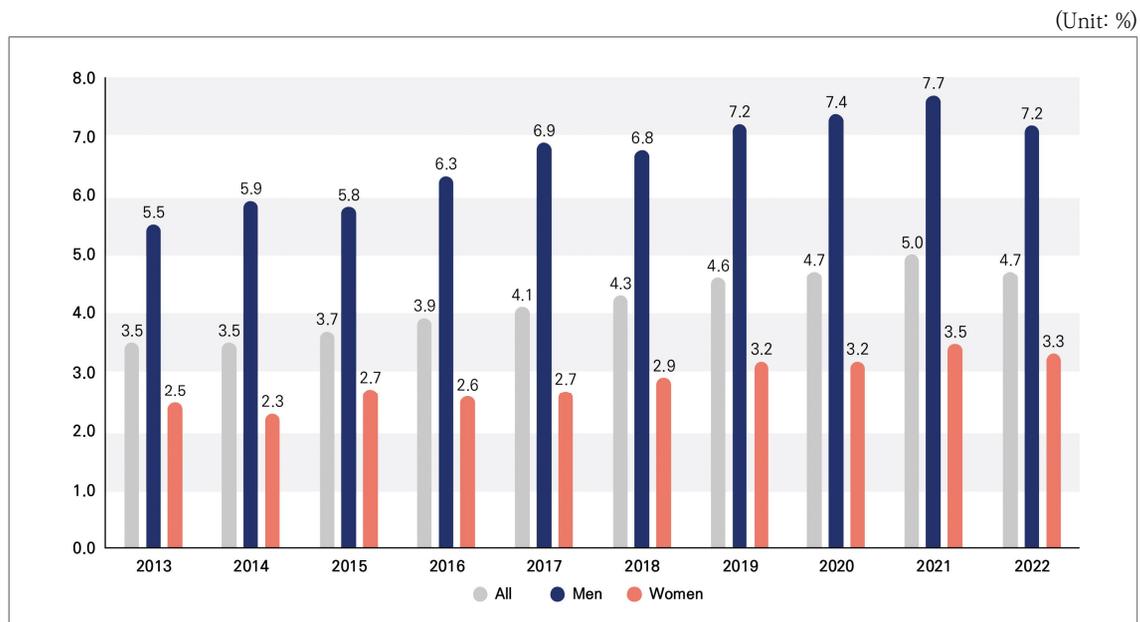
The proportion of job seekers among the economically inactive population increased and then decreased in 2022.

- From 3.5% in 2013, the proportion of job seekers among the economically inactive population has steadily increased, reaching 5.0% in 2021.
- In 2022, there were 763,000 job seekers, representing 4.7% of the economically inactive population, a decrease of 0.3 percentage points from 2021.

Male job seekers are more than twice as likely as females.

- Statistically, the percentage of male job seekers is higher than female every year.
- In 2022, there were 423,000 male job seekers and 340,000 female job seekers, and the proportion of job seekers in the non-economically active population was 7.2% and 3.3%, respectively.

[Figure 2-17] Changes in the proportion of job seekers among the economically inactive population (2012-2021)



Source: Office for National Statistics. (2023.4.12.a). Non-economically active population by sex and activity status. Retrieved 2023.4.15. from https://kosis.kr/statHtml/statHtml.do?orgId=101&tblId=DT_1DA7145S&conn_path=I3.

3.5. Percentage of the population not engaged in any activities

$$\text{Percentage of the population not engaged in any activities} = \frac{\text{Population aged 15-64 not engaged in any activities}}{\text{Inactive population aged 15-64}} \times 100$$

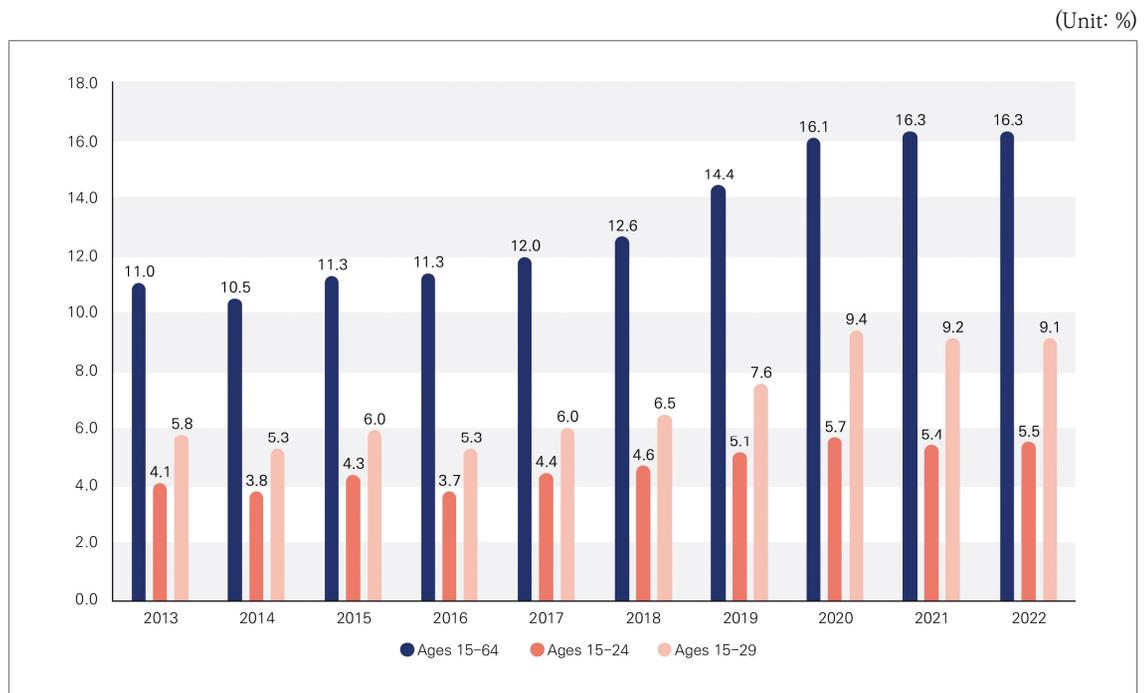
The proportion of the population aged 15-64 neither participating in any activities nor actively seeking employment has been steadily increasing.

- Between 2013 and 2016, the share of people aged 15-64 who were not engaged in any activities among the inactive population was less than 12.0%. However, it has since increased, reaching 16% in 2020 and 16.3% in both 2021 and 2022.

Young adults also saw an increase in their share of the inactive population.

- Among 15- to 24-year-olds, the share of the population who were not engaged in any activities has increased since 2016, when it was 3.7%, reaching 5.7% in 2020, followed by 5.4% and 5.5% in 2021 and 2022, respectively.
- For those aged 15 to 29, the percentage was 5.3% in 2016, but has since increased to 9.4% in 2020, followed by 9.2% and 9.1% in 2021 and 2022, respectively.

[Figure 2-18] Changes in the proportion of the population aged 15-64 years not engaged in any activities (2012-2021)



Source: Office for National Statistics. (2023.4.12.b). Non-economically active population (off work) by age/activity status. Retrieved 2023.4.15. from https://kosis.kr/statHtml/statHtml.do?orgId=101&tblId=DT_1DA7147S&conn_path=I3.

4. Demand and supply of income security policies

4.1. Standard median income

Standard median income = the median household income, which is calculated by reflecting the recent household income growth rate and the difference in income levels according to household size, and is the median household income, which is announced after deliberation and resolution by the Central Livelihood Security Committee.

Household ordinary income = labor income + business income + property income + transfer income

The Central Livelihood Security Committee announces the next year's Standard median income in July of each year through deliberation and resolution, and the trend from 2015 to 2023 shows that the Standard median income has been steadily increasing since 2015, when it was first introduced.

- (4-person household) KRW 4,222,533 in 2015 → KRW 4,749,174 in 2020 → KRW 5,400,964 in 2023
- The standard median income in 2023 increased by 5.47% year-over-year, the highest year-over-year increase on record.

The standard median income in 2023 was determined by reflecting the reformed calculation method in 2020 for the first time (Ministry of Health and Welfare, July 29, 2022).

〈Table 2-3〉 Trends in Standard Median Income (2015~2022)

(Unit: KRW/month)

Year	One-person households	2-person households	3-person households	4-person households	5-person households	6-person households
2015	1,562,337	2,660,196	3,441,364	4,222,533	5,003,702	5,784,870
2016	1,624,831	2,766,603	3,579,019	4,391,434	5,203,849	6,016,265
2017	1,652,931	2,814,449	3,640,915	4,467,380	5,293,845	6,120,311
2018	1,672,105	2,847,097	3,683,150	4,519,202	5,355,254	6,191,307
2019	1,707,008	2,906,528	3,760,032	4,613,536	5,467,040	6,320,544
2020	1,757,194	2,991,980	3,870,577	4,749,174	5,627,771	6,506,368
2021	1,827,831	3,088,079	3,983,950	4,876,290	5,757,373	6,628,603
2022	1,944,812	3,260,085	4,194,701	5,121,080	6,024,515	6,907,004
2023	2,077,892	3,456,155	4,434,816	5,400,964	6,330,688	7,227,981

Source: www.index.go.kr. (Aug. 1, 2022). Trends in standard median income. Retrieved from https://www.index.go.kr/unity/potal/main/EachDtlPageDetail.do?idx_cd=2762

4.2. National basic livelihood security take-up rate

- Number of Basic Livelihood Security Recipients = the sum of general and institutionalized recipients of basic livelihood security benefits whose household income is below the selection threshold.
- Basic Livelihood Security Benefit Rate = (Number of Basic Livelihood Security Beneficiaries ÷ Total Population) × 100

The number of Basic Livelihood Security recipients and the recipient rate showed a decreasing trend until FY2014, but the number of recipients and the recipient rate increased from the end of FY2015 due to the reorganization to customized benefits.

- About 1.47 million (2.94%) in '11 → About 1.33 million (2.6%) in '14 → About 1.65 million (3.23%) in '15

Afterward, it eased up to 2017, but the number of beneficiaries and the benefit rate continued to increase from 2018.

- About 1.58 million in '17 (3.08%) → About 1.74 million in '18 (3.38%) → About 2.36 million in '21 (4.56%)
- This increase can be seen as an increase in the size of the poverty group, but it can also be interpreted as an increase due to the relaxation of the criteria for selecting beneficiaries due to system improvements, such as the phasing out of the criteria for dependents, which has been underway since the end of FY2017.

[Figure 2-19] Trends in the Number of Basic Livelihood Security Beneficiaries and Benefit Rates (2011-2021)
(Unit: person, %)



Sources: 1) Statistics Korea. (2022.7.21.). Status of National Basic Livelihood Security Recipients, Total National Basic Livelihood Recipients (General, Facility)-by Province. https://kosis.kr/statHtml/statHtml.do?orgId=117&tblId=DT_11714_N001&conn_path=I3
 2) www.index.go.kr. (2022). National Basic Livelihood Recipient Status. Retrieved from https://www.index.go.kr/unity/potal/main/EachDtlPageDetail.do?IDX_CD=2760

4.3. Basic pension take-up rate

- Number of basic (old-age) pensioners = number of beneficiaries receiving benefits under the Basic Pension Act
- Basic (old-age) pension coverage rate = (Population aged 65 and over ÷ Basic (old-age) pensioners) × 100
- Number of people aged 65 and over: Based on the Ministry of the Interior and Safety's resident registration population (residents and those whose residence is unknown).

The number of basic (old-age) pension recipients has increased continuously from 2011, when it was the basic old-age pension, to 2021, when it was reorganized into the basic pension.

- The number of beneficiaries is increasing as the number of elderly people aged 65 and over increases.
- The coverage rate of the old-age pension decreased from 67.0% in 2011 to 65.0% in 2013, but with the reorganization of the basic pension in 2014, the coverage rate increased to 68%. It has remained at a similar level since then.

[Figure 2-20] Trends in the number of basic (old-age) pension recipients and take-up rate (2011-2021)

(Unit: people, %)



Sources: 1) 2011: Department of Health and Human Services. (2012). 2011 Health and Human Services Statistical Yearbook. Ministry of Health and Welfare. p. 382.
 2) 2012~2021: Ministry of Health and Welfare. (2022b). 2022 Health and Welfare Statistics Yearbook. Ministry of Health and Welfare. p. 428.

4.4. Number of emergency aid and support cases

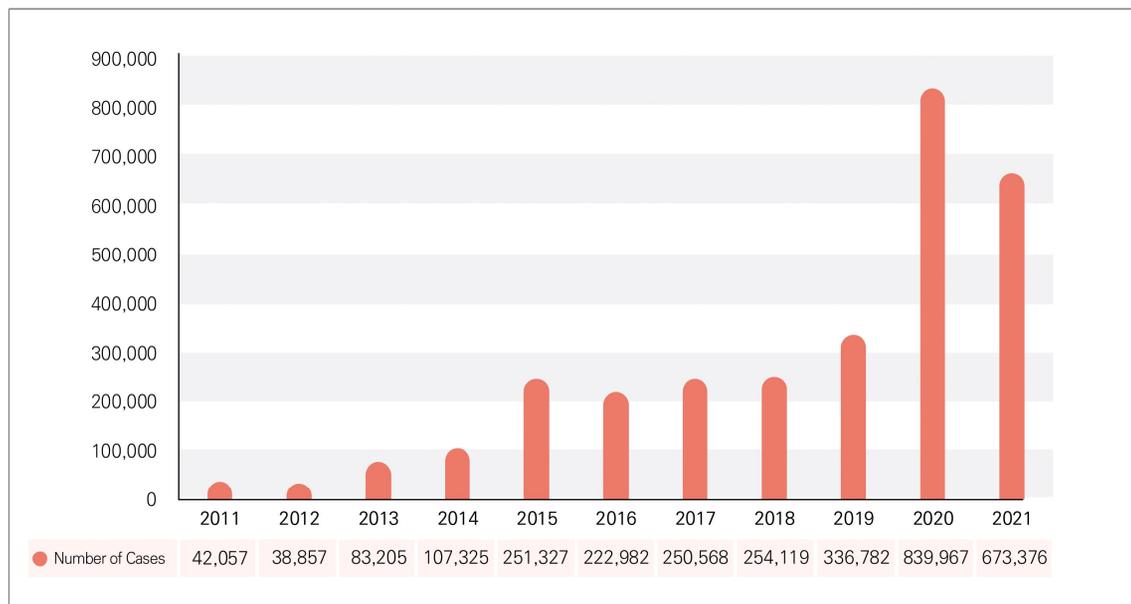
Number of emergency support cases = number of applications for livelihood support, medical support, housing support, education support, and other support (facility use, fuel expenses, dispersal and funeral expenses, etc.) under the Emergency Aid And Support Act

The Number of emergency support cases was low in the early 2010s, but the number of cases has been steadily increasing. In 2020, the number of cases was about 840,000, more than doubling from 2019 (about 340,000).

- This is likely due to the increase in crisis households due to the economic downturn caused by COVID-19 and the relaxation of the criteria for the Emergency Aid and Support System in response.
- Although the number of cases decreased slightly to about 670,000 in 2021, the number of households receiving emergency support is still large compared to the pre-corona outbreak (before 2019).

[Figure 2-21] Trends in the number of emergency support cases (2011-2020)

(Unit: Number of cases)



Source: Ministry of Health and Welfare. (2022b). Health Statistics Korea 2022. Ministry of Health and Welfare. p. 389.

4.5. Public pension take-up rate

- Number of beneficiaries by pension	=	number of beneficiaries receiving old-age/disability/survivor pensions for each pension.
- Percentage of people aged 65 and over receiving public pensions	=	$\frac{\text{Number of people aged 65 and over receiving public pensions}}{\text{Estimated population aged 65 and over}} \times 100$

The trend of the number of beneficiaries by type of public pension (2011-2021) shows that the number of beneficiaries is increasing in all pensions compared to 2011.

- The National Pension, which has the largest number of beneficiaries, increased from about 3.18 million in 2011 to about 6.1 million in 2021. The civil service pension has also increased from about 330,000 (2011) to about 600,000 (2021), and the private school pension, military pension, and separate post office pension, although not as large, are also increasing.

Figure 2-22 shows the number of recipients of public pensions (National Pension, Civil Servants' Pension, Private School Teachers' Pension, and Military Pension) over the age of 65 and the rate of recipients over the age of 65.

- The number of public pensioners aged 65 and over and the coverage rate have continued to increase, rising from 31.8% in 2011 to 55.1% in 2021, an increase of over 24%.
- This increase in the take-up rate is largely due to the increase in the size of the National Pension, but the number of recipients of government employees pension and special post office pension is also increasing, albeit to a lesser extent.

<Table 2-4> Trends in the number of beneficiaries by pension (2011-2021)

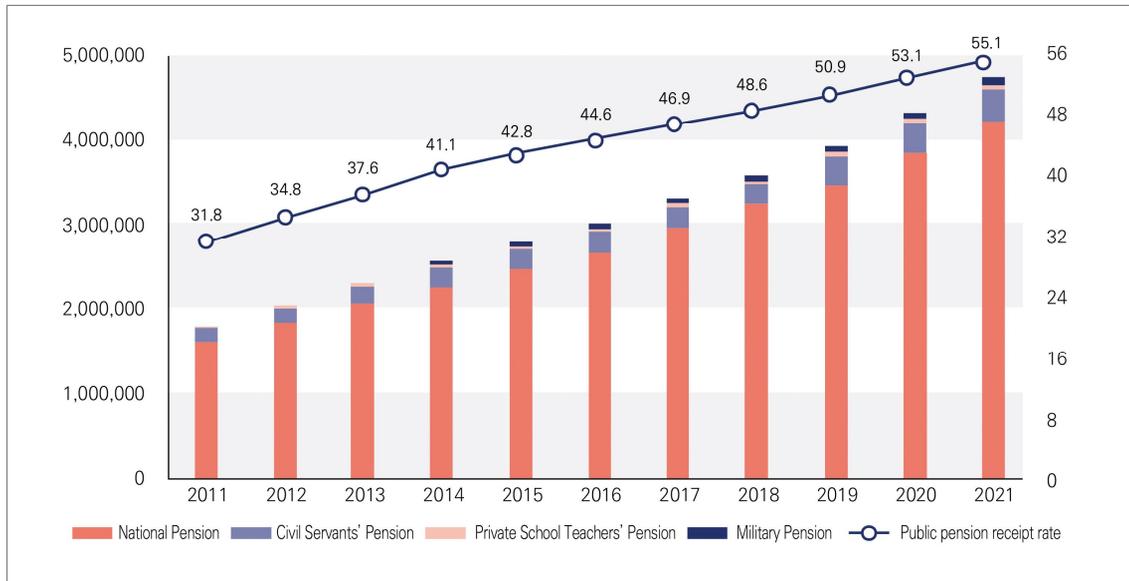
(Unit: people)

Year	National Pension	Government employees pension	Private school teachers pension	Military Pension	Special Post Office Pension
2011	3,184,601	326,509	40,576	78,103	1,094
2012	3,518,090	348,493	44,357	80,262	1,173
2013	3,653,113	366,482	48,407	82,313	1,256
2014	3,769,420	395,630	53,040	84,565	1,429
2015	4,051,372	426,068	59,059	87,134	1,545
2016	4,384,746	452,942	63,782	89,098	1,652
2017	4,716,226	480,096	69,218	91,071	1,746
2018	4,794,376	506,550	75,914	93,126	1,868
2019	5,190,010	535,992	83,176	95,282	1,986
2020	5,616,205	567,770	90,989	97,153	2,157
2021	6,099,205	599,485	98,730	99,454	2,321

- Sources: 1) National Pension Service. (2022). 2021 No. 34 National Pension Statistical Yearbook. National Pension Service Planning and Coordination Office. p.34.
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[Figure 2-22] Number of public pension recipients aged 65 and over and the take-up rate (2011-2021)

(Unit: person, %)



Note: 1) Sum of old-age pension, disability (disability, differential) pension, and survivor (retirement) pension recipients for each pension.

2) Military pensions are included from 2014.

Sources: 1) Statistics Korea. (2015). 2015 Senior Citizens Statistics - Statistical Table. Retrieved October 28, 2022, from https://kostat.go.kr/portal/korea/kor_nw/1/6/1/index.board?bmode=read&bSeq=&aSeq=348565&pageNo=1&rowNum=10&navCount=10&currPg=&searchInfo=srch&sTarget=title&sTxt=%EA%B3%A0%EB%A0%B9%EC%9E%90.

2) Statistics Korea. (2022). 2022 Senior Citizen Statistics. Statistics Korea. p.75.

4.6. Public pension income replacement rate

$$\text{Public pension income replacement rate} = \left(\frac{\text{mandatory public pension}}{\text{average pre-retirement earnings}} \right) \times 100$$

Gross pension replacement rates for OECD member countries were utilized, as shown in Figure 2-23.

- The income replacement rate is calculated only for mandatory public pensions out of the gross pension income replacement rate.
- OECD(2015, 2021)'s public pension refers to the public income-proportional pension among the mandatory basic coverage (basic pension) and the mandatory income-proportional pension (public and private).

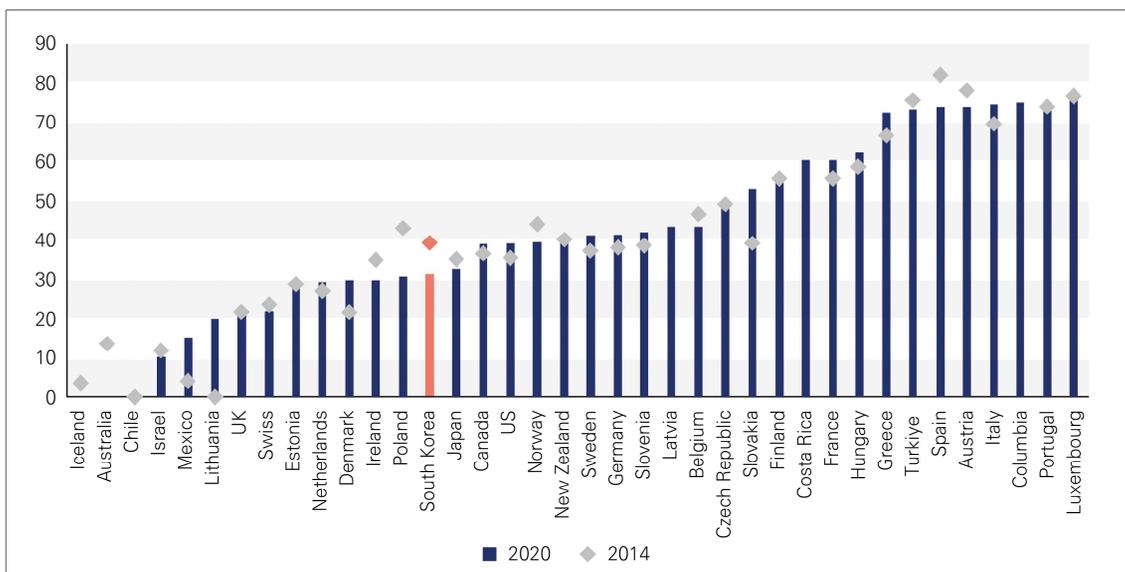
In South Korea, the public income-proportional pension is the National Pension, and the basic pension is not included as it is considered social assistance (Oh Geon-ho, February 28, 2022).

South Korea's public pension income replacement rate was 31.2% in 2020, down from 39.3% in 2014, and ranked 25th out of 38 OECD member countries.

- This is half the rate of Luxembourg (76.6%) and Portugal (74.9%), which have the highest public pension income replacement rates among OECD member countries.

[Figure 2-23] OECD Public Pension Income Replacement Rate (2014/2020)

(Unit: %)



Notes: 1) Based on average pre-retirement income.

2) Data not available for Lithuania, Latvia, Costa Rica, and Colombia in 2014.

Sources: 1) 2014: OECD. (2015). Pensions at a Glance 2015. OECD Publishing. p.141.

2) 2020: OECD. (2021). Pensions at a Glance 2021. OECD Publishing. p.141.

5. Housing

5.1. Percentage of households below minimum housing standards

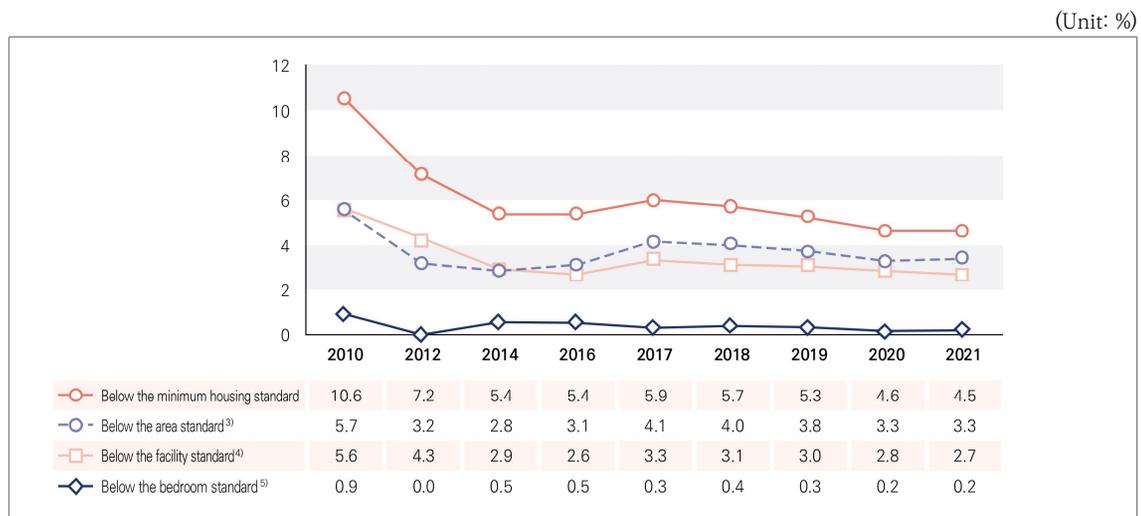
$$\text{Percent of households below the minimum housing standard} = \frac{\text{(number of households below the minimum housing standard)}}{\text{total number of households}} \times 100$$

The Ministry of Land, Infrastructure, and Transport conducts, as part of its Annual Housing Survey, a survey on households that do not meet the minimum housing standards. This study looked at households that do not meet the minimum standards as a percentage of all households. ³⁾

In 2021, 4.5% of all households were below the minimum housing standard, a decrease of 6.1 percentage points from 12.7% in 2010 and 0.1 percentage points from 4.6% in 2020.

- By minimum housing standard, 3.3% of households did not meet the area standard, 2.7% did not meet the facility standard, and 0.2% did not meet the bedroom standard. Statistics on households that do not meet structural, performance, and environmental standards are not collected due to difficulties in setting and measuring specific standards.

[Figure 2–24] Percentage of households that do not meet minimum housing standards since 2010 (by standard)



Note: 1) This indicator is based on MOLIT Announcement No. 2011-490 ('11.05.27).

2) Percentages are based on the results of the Housing Conditions Survey, which has been conducted biennially since 2006 and annually since 2017.

3) Living area by number of household members: 1 person 14m², 2 people 26m², 3 people 36m², 4 people 43m², 5 people 46m², 6 people less than 55m².

4) Lack of at least one of the following: private standing kitchen, private flush toilet, and private bathing facilities.

5) Households with less than 1 room per household member: 1 room for 1 person, 1 room for 2 people, 2 rooms for 3 people, 2 rooms for 4 people, 3 rooms for 5 people, and 4 rooms for 6 people.

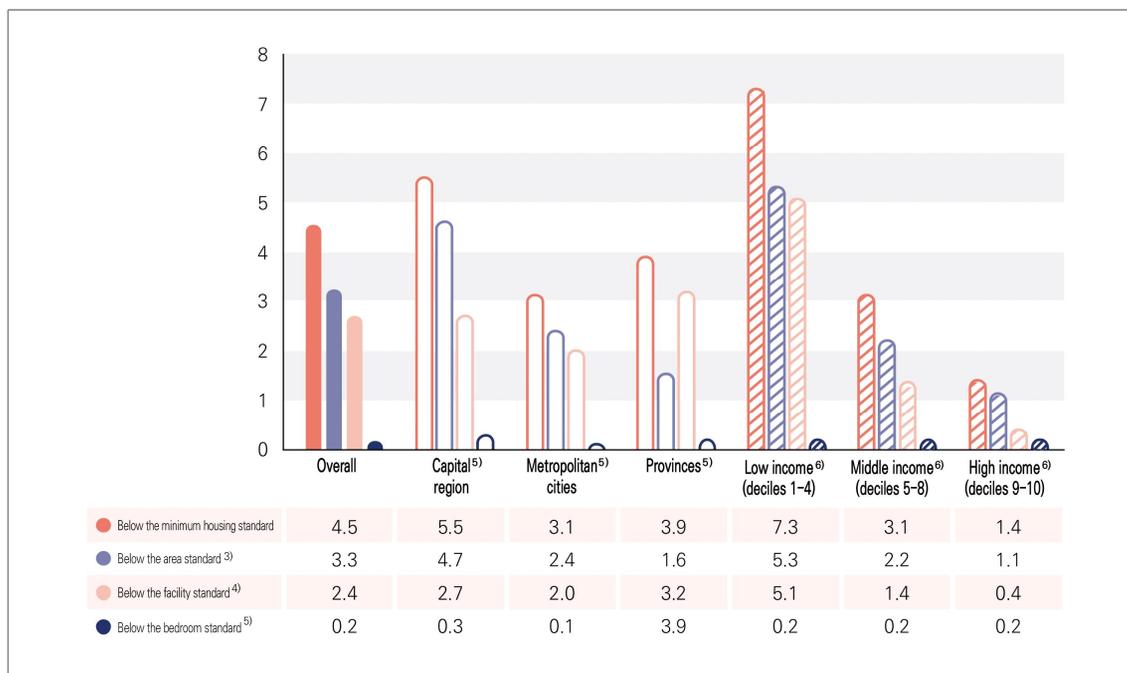
Source: National Indicator System. (2023a). Percentage of households below minimum housing standards. Retrieved March 30, 2023, from <https://www.index.go.kr/unity/potal/indicator/IndexInfo.do?cdNo=2&clacCd=10&idxCd=F0191#>.

3) Article 20 of the Housing Basic Act stipulates that the Minister of Land, Infrastructure, and Transport, the governor of a city or province, and the mayor or county may conduct a housing survey, and Article 13 of the Enforcement Decree of the Housing Basic Act includes "the status of households that do not meet the minimum housing standard" as an item in the housing survey.

- By region, the proportion of households below the minimum housing standard is 5.5% in the Seoul metropolitan area, 3.1% in metropolitan cities and other areas, and 3.9% in provinces, which is higher than other regions.
- By income level, 7.3% of households were in the lower income deciles (1st-4th deciles), 3.1% in the middle income deciles (5th-8th deciles), and 1.4% in the upper income deciles (9th-10th deciles), indicating that the lower the income level, the higher the proportion of unmet households.

[Figure 2-25] Percentage of Households below the Minimum Housing Standards in 2021, by region and income Level

(Unit: %)



Note: 1) This indicator is based on MOLIT Announcement No. 2011-490 ('11.05.27).

2) Percentages are based on the results of the Housing Conditions Survey, which has been conducted biennially since 2006 and annually since 2017.

3) Living area by number of household members: 1 person 14m², 2 people 26m², 3 people 36m², 4 people 43m², 5 people 46m², 6 people less than 55m².

4) Lack of at least one of the following: private standing kitchen, private flush toilet, and private bathing facilities.

5) Households with less than 1 room per household member: 1 room for 1 person, 1 room for 2 people, 2 rooms for 3 people, 2 rooms for 4 people, 3 rooms for 5 people, and 4 rooms for 6 people.

6) Metropolitan areas include Seoul, Incheon, Gyeonggi, and metropolitan areas include Busan, Daegu, Gwangju, Daejeon, Ulsan, and Sejong. Provincial regions are Gangwon, Chungbuk, Chungnam, Jeonbuk, Jeonnam, Gyeongbuk, Gyeongnam, and Jeju.

Source: National Indicator System (2023a). Percentage of households below minimum housing standard. Retrieved March 30, 2023, from <https://www.index.go.kr/unity/potal/indicator/IndexInfo.do?cdNo=2&clasCd=10&idxCd=F0191#>.

5.2. Housing rent burden rate

$$\text{Rent to Income Ratio (RIR)} = (\text{Median Monthly Rent} / \text{Median Monthly Household Income}) \times 100$$

The Rent to Income Ratio (RIR), shown in the following figure, is a proxy for the proportion of income spent on housing, with a higher RIR indicating a higher housing cost burden.

In 2021, the national rent burden rate was 15.7%, and if you look at the trend over time, it rose from 19.2% in 2010 to 20.3% in 2014, and then switched to a downward trend again, reaching 15.7% in 2021.

- By region, as of 2021, it was 17.8% in the Seoul metropolitan area, 14.4% in metropolitan cities, and 12.6% in provinces, with the Seoul metropolitan area being higher than metropolitan cities and provinces.
- By income level, the top (9th to 10th deciles) is 19.6% in 2021, while the bottom (1st to 4th deciles) is 18.0%, and the middle (5th to 8th deciles) is 16.0%, showing no consistent distribution by income level.
- However, over time, there has been a significant decrease in the lower income deciles a slight decrease in the middle income deciles, and a gradual increase in the upper income deciles.

[Figure 2-26] Rent burden as a percentage of monthly income since 2010 (by region)

(Unit: %)



Note: 1) RIR rate is the result of the Residential Housing Survey, which has been conducted biennially since 2006 and annually since 2017.

2) Security deposits were converted to monthly rent by applying the 'Monthly Rent Conversion Rate' from the Korea Real Estate Institute's House Price Trends.

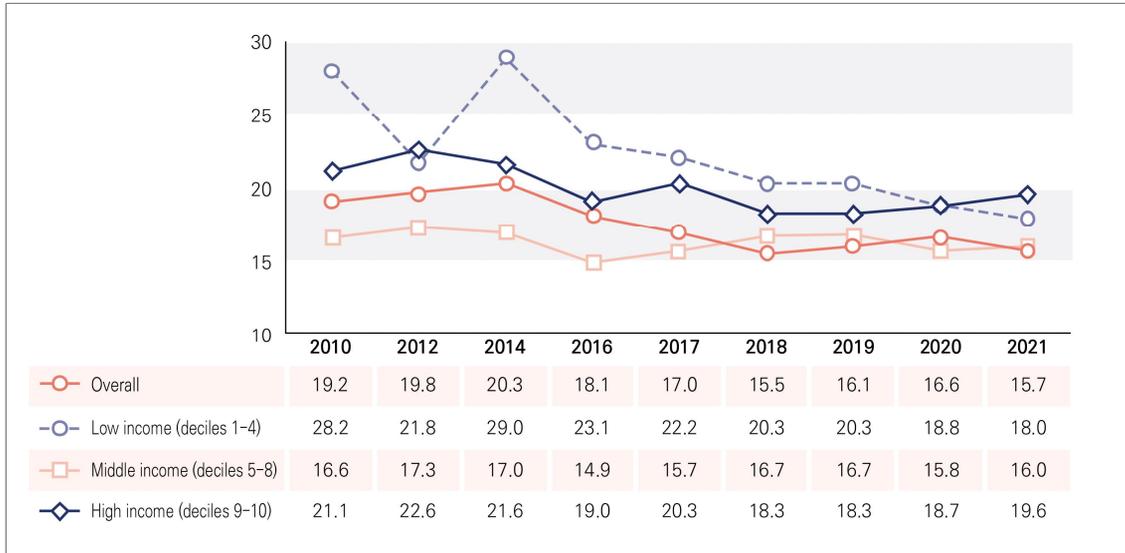
3) Metropolitan areas include Seoul, Incheon, Gyeonggi, and metropolitan areas include Busan, Daegu, Gwangju, Daejeon, Ulsan, and Sejong. The provinces are Gangwon, Chungbuk, Chungnam, Jeonbuk, Jeonnam, Gyeongbuk, Gyeongnam, and Jeju.

4) Total household income is the average monthly realized income excluding taxes.

Source: National Indicator System (2023b). Residential rent to income ratio (RIR). Retrieved from [https://www.index.go.kr/unity/potal/indicator/IndexInfo.do?cdNo=230&clasCd=10&idxCd=F0189&upCd=8#](https://www.index.go.kr/unity/potal/indicator/IndexInfo.do?cdNo=230&clasCd=10&idxCd=F0189&upCd=8#에서)에서 2023.03.30.

[Figure 2-27] Housing rent burden as a percentage of monthly income since 2010, by income level

(Unit: %)



Notes: 1) RIR ratio is the result of the Housing Survey, which has been conducted biennially since 2006 and annually since 2017.

2) Security deposits were converted to monthly rent by applying the 'Monthly Rent Conversion Rate' from the Korea Real Estate Institute's House Price Trends.

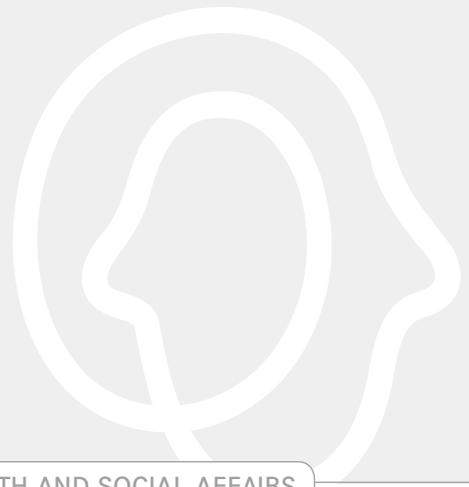
3) Total household income is the average monthly realized income excluding taxes.

Source: National Indicator System (2023b). Residential rent to income ratio (RIR). Retrieved from <https://www.index.go.kr/unity/potal/indicator/IndexInfo.do?cdNo=230&clasCd=10&idxCd=F0189&upCd=8#> on March 30, 2023.

People
with people
in mind



KOREA INSTITUTE FOR HEALTH AND SOCIAL AFFAIRS



III .

Evaluation and implications

The quality of life of our people consists of their economic base, which consists of the income and assets they earn and accumulate through economic activities, from housing as a place to live their daily lives.

- Poverty and disparities among the economically vulnerable undermine the quality of life and are addressed through income security policies.
- For effective and efficient policies, it is necessary to identify particularly vulnerable population groups by monitoring recent trends in relevant indicators and to understand South Korea's specificities through international comparisons.

Therefore, the multidimensional economic foundations of households, income distribution, economic activity, income security policies, and housing were identified through indicator trends and international comparisons.

In this report, households are assumed as the basic unit through which Koreans enjoy a multidimensional quality of life as well as economic aspects.

- Since the 2007-2008 global financial crisis, Korean households' incomes, expenditures, assets, and liabilities have been gradually increasing since the 2010s, but the average economic quality of life enjoyed by individuals in households has been improving.

However, overall, the median income is smaller than the average income, and the size of the low-income group below the middle class is larger than that of the high-income group.

- In terms of income composition, public expenditures such as social security contributions and taxes have gradually increased over the past decade, but on the other hand, public transfers have increased significantly, confirming the trend of expanding income security policies.
- Among the components of household expenditures, food and medical expenditures increased somewhat, while housing, transportation, and communication expenditures increased less. Education expenses have declined slightly.
- The asset ownership rate has reached 100% over the past decade, meaning that almost all households in South Korea have assets, and the level of assets is gradually increasing.

However, similar to household income, median assets are generally smaller than average assets, and the size of the low-wealth group is larger than the high-wealth group.

- Over the past decade since 2011, around 65% of households have liabilities, and the level of liabilities has increased gradually, similar to the trend of asset growth.

Poverty and inequality in South Korea are relatively high compared to OECD member countries.

- Recalling that poverty and inequality levels are generally lower in the Nordic countries, which are traditional welfare states, there is still a need for an active role for income security policies in South Korea.
- Trends over the past decade show that the poverty rate based on market income eased somewhat from 19.6% in 2011 to 19.0% in 2012, but gradually worsened to 21.3% in 2020 before easing somewhat to 20.8% in 2021. Nevertheless, the overall trend can be seen as worsening.

Inequality as measured by the Gini coefficient gradually eased from 2011 (0.418) to 2015 (0.396), then worsened somewhat and remained at 0.405 until recently in 2021.

However, the poverty rate and Gini coefficient based on disposable income, which takes into account public transfers and public expenditures, show a gradual easing trend, indicating that the income security policy has worked to gradually reduce poverty and inequality.

Disaggregating the poverty rate by subpopulation groups reveals more economically vulnerable groups, along with the poverty alleviation effect of the income guarantee policy on transferred income and transfer payments.

- By age group, the poverty rate for children and adolescents aged 0 to 18 and young adults aged 19 to 34 remains around 10%, while the poverty rate for middle-aged people aged 35 to 64 remains around 14% based on market income and around 11% based on disposable income.
- While the poverty rate for the elderly aged 65 and over has remained high at nearly 60% of market income since 2011, the poverty rate based on disposable income, which takes into account public transfers and public expenditures, has gradually eased from 49.1% in 2011 to 37.7% in 2021, indicating that income security policies targeting the elderly are working.

When the elderly poverty rate is disaggregated into the early elderly cohort, aged 64 to 74, and the late elderly cohort, aged 75 and over, the market income-based poverty rate for the early elderly gradually eased from 55.5% in 2011 to 49.2% in 2021. The poverty rate based on disposable income eased significantly from 44.6% in 2011 to 27.6% in 2021.

However, the market income-based poverty rate for seniors aged 75 and older worsened, reaching 63.8% in 2011 and 68.7% in 2021. The poverty rate based on disposable income eased from 56.5 percent to 51.0 percent over the same period, but still leaves one in two older adults in poverty.

- The poverty rate for older adult households with all members aged 65 or older is very high, reaching just over 80% in 2015 based on market income, and rising to 75.4% in 2021. Based on disposable income, the poverty rate gradually decreased from 67.1% in 2011 to 51.1% in 2021, but one in two elderly household members is still poor.
- Poverty rates for one-person households are also high. The market income poverty rate, 58.5% in 2019, declined to 52.0% in 2021. The poverty rate based on disposable income was 50.3% in 2011 and remained similar at 51.8% in 2019 before gradually declining to 44.4% in 2021.
- The poverty rates for household members with disabilities, people with disabilities, single-parent households, and female-headed households were also high, ranging from the high-30s percentage range to the mid-50s range based on market income, but the poverty rate based on disposable income has recently declined to the high-20s to the high-30s percentage range in 2021, indicating that income security policies are working.

There is a need to consider policy measures to reduce the incidence of in-work poverty among economically active people.

- Although the in-work poverty rate has been decreasing in recent years, it is difficult to see an improvement compared to the level in the 2010s.
- One of the main factors affecting the incidence of in-work poverty, low-wage work, has improved significantly in recent years, but this has not led to an improvement in the in-work poverty rate.
- Therefore, an in-depth analysis of the factors contributing to in-work poverty and policy responses are called for.

It is requested to monitor the size of the long-term unemployed by focusing on the proportion of the economically inactive population who are job seekers and off work, rather than the long-term unemployment rate, and to prepare a social security system for them.

- According to the long-term unemployment rate, there are very few long-term unemployed in South Korea, but this indicator does not fully reflect the reality of the labor market in South Korea.
- Although not statistically classified as unemployed, the proportion of job seekers and off-work people in the economically inactive population who are likely to be classified as long-term unemployed is gradually increasing.

Therefore, it is necessary to conduct research to estimate the actual and specific size of the long-term unemployed.

- In addition, while social security systems are in place for those who are economically inactive for other reasons, such as childcare, housework, old age, and physical or mental disability, there is no system in place for job seekers and those who are not working, and consideration should be given to policies to socially protect them.

The standard median income, which is used as a benchmark for major income security policies, has steadily increased since its publication in 2015, and the number of recipients and benefit rates of major income security systems such as the National Basic Livelihood Security, Basic Pension, Emergency Welfare Support, and Public Pension have also been gradually increasing.

- The increasing trend in the number of beneficiaries and the benefit rate may be the result of policy improvements that have gradually expanded the inclusiveness of each system, but it may also be due to crises in our society such as COVID-19 or changes in the target group itself, such as the number of elderly people, so caution should be exercised in interpreting it.
- The income replacement rate of public pensions, which are based on contributions as the main income security policy, is lower than that of OECD member countries. However, given that there is a multi-layered old-age income security system, including public assistance and basic pensions, the indicator of public pension income replacement rate may be limited in identifying the actual status of old-age income security.

The trend of decreasing minimum housing standards is a positive sign that the physical conditions of housing are improving based on existing standards.

- However, given that the rate has not declined further from the 4-5% range over the past seven years, institutional efforts to increase housing affordability and physical improvements need to continue.



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