

Research in Brief



Issue No 2025-02
Publication Date July 01 2025
ISSN 2092-7117

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A Simulation Analysis of the Effects of Proposed Changes to the National Basic Livelihood Security System¹⁾

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In this study, we simulate the effects of several key modifications currently proposed for the National Basic Livelihood Security system (NBLS), using data from the Household Finances and Living Conditions Survey (HFLCS). The simulation analysis indicates that these changes—reducing the discrepancy between the standard median income and the actual median income derived from the HFLCS, raising the eligibility ceilings for Livelihood Allowance, increasing the basic deduction on earned and business income, and easing asset criteria—broaden NBLS coverage and reduce poverty. However, raising the eligibility limit for the Housing Allowance has little effect on poverty reduction, as it works to the benefit primarily of low-income individuals who are not in absolute poverty. Further discussion is needed on rationalizing the standard median income, relaxing asset criteria, and redefining the roles of the Livelihood, Housing, and Education Allowances.

The need for analyzing the effects of proposed changes to the NBLS

The NBLS has consistently expanded in eligibility since its transition to a tailored-benefit framework in 2015. During this process, the support obligor rule was eliminated for the Education Allowance in 2015 and for the Housing Allowance in 2018. For the Livelihood Allowance, the support obligor rule has

1) This is an abridged reworking of *The Effects of Changes in the National Basic Livelihood Security System: A Simulation Model Analysis* (2024), authored by Wonjin Lee, Daemung No, and Eun-sol Ha.

been significantly scaled back, if not abolished altogether, shifting from ‘applies as a rule, with some exceptions’ to ‘does not apply as a rule, with some exceptions’ (Government Ministries Joint Task Force. 2023. p. 14). In 2020, a 30-percent basic deduction was introduced for earned and business income in the assessment of eligibility for the Livelihood, Housing, and Education Allowances (Ministry of Health and Welfare. 2020. p. 102). In addition, in 2023, along with the introduction of a new regional classification rule for asset testing, the limits on personal residences and basic-living-standard assets were raised (Ministry of Health and Welfare. 2023. pp. 133-174). The income ceilings for the Livelihood and Housing Allowances are planned to increase to 35 percent and 50 percent of the standard median income, respectively (Government Ministries Joint Task Force. 2023. p. 27, p. 40).

A series of recent deaths among individuals whom the welfare system has failed to assist have prompted calls for action to reduce gaps in the NBLs and expand its coverage. Discussions are ongoing regarding expanding NBLs coverage, centered on options such as raising the standard median income benchmark, removing the obligor rule from determining eligibility for the Livelihood Allowance, expanding the basic deduction on earned and business income, and easing the asset criteria. Some have even suggested replacing the NBLs with alternatives like the negative income tax or the safety income scheme.

Determining the feasibility of and prioritizing the proposed policy changes requires deliberative discussions informed by simulations that project the budget needed for their implementation and the consequential changes, such as shifts in the size of beneficiary populations and in the poverty-reduction effect of the NBLs.

●● NBLs simulation scenario

The simulation scenarios presented here draw on data from the 2023 HFLCS. Using the 2022 NBLs rules as the baseline, we constructed models to simulate NBLs benefit take-up and income distribution for 2022, against which we compare outcomes under alternative scenarios involving changes to key NBLs parameters²⁾.

◆ *Standard median income and equivalence scale*

Since the NBLs’s transition in 2015 to a tailored-benefit structure, the income ceiling—formerly set at the minimum-living-cost value—has been calculated as a percentage of the standard median income. While this change was intended to broaden NBLs coverage in line with the overall increases in income across society, the standard median income continues to diverge substantially from the HFLCS median, and this gap has been widening over time. A major concern that persists around the NBLs is whether the income limit, defined as a percentage of the standard income, can effectively serve as a relative poverty

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2) For details of the design of the simulation model, see *The Effects of Changes in the National Basic Livelihood Security System: A Simulation Model Analysis* (2024)

threshold.

In our alternative scenario, the standard median income is calculated by applying the NBLs equivalence scale that is set for implementation in 2026 to 2023 HFLCS household income data. This approach assumes normalization to the HFLCS median income, eliminating differences between the two measures. Under this assumption, the normalized value is found to be 1.20 to 1.32 times higher than the 2022 standard median income. Since the revised equivalence scale favors smaller households, the difference between the baseline and alternative scenarios is more pronounced for one- and two-person households.

[Table 1] Standard median income equivalence scale

(in KRW/month, points)

Household size (No. of members)	(A) Baseline scenario	(B) Alternative scenario	(B/A)
1	1,944,812	2,571,544	1.32
2	3,260,085	4,178,759	1.28
3	4,194,701	5,316,667	1.27
4	5,121,080	6,428,859	1.26
5	6,024,515	7,451,048	1.24
6	6,907,004	8,402,519	1.22
7	7,780,592	9,302,559	1.20

Note: The baseline scenario is based on the 2022 standard median income as defined in the National Basic Livelihood Security (NBLs) system. The alternative scenario reflects the median household current income calculated based on data from the 2023 Household Financial and Living Conditions Survey (HFLCS), using the equivalence scale scheduled for implementation in the NBLs system in 2026. The resulting figure represents the median value at the household level, adjusted according to the forthcoming equivalence methodology.

Sources: 1) Baseline Scenario: *2022 National Basic Livelihood Security Program Guide*, Ministry of Health and Welfare, 2022. Section: Key Revisions; 2) Alternative Scenario: *2023 Household Financial and Welfare Survey Raw Data*, Statistics Korea, 2023. Accessed via the MicroData Integrated Service (Remote Access Service). DOI: 10.23333/R.930001.002

◆ *Increased eligibility ceilings for Livelihood and Housing Allowances*

Raising the eligibility ceiling for the Livelihood and Housing Allowances increased the number of beneficiaries. For the Livelihood Allowance in particular—a top-up supplement where the eligibility ceiling determines both qualification and benefit amount—the change not only increased the number of beneficiaries but also raised benefit levels.

The income limit for the Livelihood Allowance was raised from 30 percent of the standard median income (2017-2023) to 32 percent in 2024, with planned increase to 35 percent. For the Housing Allowance, the ceiling increased from 43 percent in 2015 to 46 percent in 2022, then to 48 percent in 2024, and is planned increase to 50 percent.

[Table 2] Income ceiling scenarios for Livelihood and Housing Allowances

	Ceiling as % of the standard median income
Baseline scenario	<ul style="list-style-type: none"> • Livelihood Allowance: 30% • Housing Allowance: 46%
Alternative scenario	<ul style="list-style-type: none"> • Livelihood Allowance: 35% • Housing Allowance: 50%

◆ *Increasing the deduction on earned and business income*

In 2020, a 30-percent basic deduction was introduced in the means tests for the Housing, Education, and Livelihood Allowances. The Livelihood Allowance, designed to fill the gap between the eligibility ceiling and a household's countable income, may inadvertently discourage beneficiaries from engaging in economic activities. The 30-percent basic deduction on earned and business income was introduced to mitigate work disincentives caused by high marginal tax rates applied to the earned income of households receiving top-up benefits.

The baseline deduction scenario is constructed using HFLCS data, assuming the 2022 standard deduction rules as shown in Table 3. In the alternative scenario, the 2022 rules—a fixed deduction of the first KRW400,000 and a 30-percent deduction on the remainder—are extended, as was implemented in 2024, to young adults aged 29 and under. In this alternative scenario, the deduction on earned and business income is set at 50 percent, a level often used in alternative income protection models—such as negative income tax or guaranteed minimum schemes—designed to promote work incentives.

[Table 3] Earned and business income deduction scenarios

	Outline	
Baseline scenario	• 2022: Adults aged 24 and younger, or college students	• Full deduction on the first KRW400,000 + 30% deduction on the remainder
	• Adults aged 25 and older enrolled in primary and secondary school programs	• Full deduction on the first KRW200,000 + 30% deduction on the remainder
	• Age 75 or older, or a registered person with a disability	• Full deduction on the first KRW200,000 + 30% deduction on the remainder
	• Others	• 30% deduction
Alternative scenario	<ul style="list-style-type: none"> • 2024 and after: The age limit changed from 'adults aged 24 and younger, or college students' to 'adults aged 29 and younger, or college students' • Basic deduction raised from the previous 30% to 50%, with the fixed deduction amount remaining the same for each group 	

◆ *Easing the asset criteria*

Table 4 outlines the asset-test criteria used for the NBLs. The residential property limit specifies the maximum value allowed for a personal residence and applies a lower conversion factor than other asset types. The basic property amount refers to the portion of asset value excluded from conversion. Additional exemptions—including financial assets—apply to households composed solely of individuals who are unable to work and do not own a car.

[Table 4] Key NBLs asset-test parameters

	2022	2023 and 2024
Personal residence property	<ul style="list-style-type: none"> • Metropolitan cities: KRW120 million • Medium- and small-sized cities: KRW90 million • Rural areas: KRW52 million 	<ul style="list-style-type: none"> • Seoul: KRW172 million • Gyeonggi-do: KRW151 million • Metropolitan municipalities, Sejong, Changwon: KRW146 million • Others: KRW112 million
Basic-living-standard-assets	<ul style="list-style-type: none"> • Metropolitan cities: KRW69 million • Medium- and small-sized cities: KRW42 million • Rural areas: KRW35 million 	<ul style="list-style-type: none"> • Seoul: KRW99 million • Gyeonggi-do: KRW80 million • Metropolitan municipalities, Sejong, Changwon: KRW77 million • Others: KRW53 million
Special asset-test exemption	<ul style="list-style-type: none"> • Metropolitan cities: KRW100 million • Medium- and small-sized cities: KRW73 million • Rural areas: KRW66 million 	<ul style="list-style-type: none"> • Seoul: KRW143 million • Gyeonggi-do: KRW125 million • Metropolitan municipalities, Sejong, Changwon: KRW120 million • Others: KRW91 million
Additional financial asset exemption	<ul style="list-style-type: none"> • Metropolitan cities: KRW54 million • Medium- and small-sized cities: KRW34 million • Rural areas: KRW29 million 	<ul style="list-style-type: none"> • Seoul: KRW54 million • Gyeonggi-do: KRW54 million • Metropolitan municipalities, Sejong, Changwon: KRW54 million • Others: KRW34 million
Monthly asset-to-income conversion factors	<ul style="list-style-type: none"> • Personal homes: 1.04% • General assets: 4.17% • Financial assets: 6.26% • Automobiles: 100% 	

Note: These asset-test limits are for Livelihood, Housing, and Education Allowances.

Source: National Basic Livelihood Security Program Guide. 2022–2024. Ministry of Health and Welfare

[Table 5] Asset limit scenarios

	Details
Baseline scenario	<ul style="list-style-type: none"> • 2022 limits on personal residences, basic-living-standard assets/2022 limits on special asset-test exemptions and additional financial-asset exemptions for households with no ability to work • Households with no ability to work are those made up of individuals under 18, secondary school students under 20, people 65 or older, or those with severe disabilities. • 2022 asset-to-income conversion factors
Alternative scenario	<ul style="list-style-type: none"> • The limits are double the levels set for 2023 and beyond. • The conversion factors for personal residence property, general assets, and financial assets are halved • The (halved) conversion factor for general assets applies to automobiles

The alternative scenario features more relaxed asset criteria. Limits on personal residence property, basic-living-standard assets, and special exemptions—such as disregards and additional financial-asset exclusions for non-working households—are doubled relative to the 2023 levels, contrasting with the baseline scenario, which maintains the 2022 limits. The alternative scenario also reduces the official conversion factors by half for personal homes, general assets, and financial assets and applies the general-asset conversion factor to motor vehicles.

Simulation of the impact of key changes proposed to the NBLS

Table 6 lists the operational definitions of outcome variables analyzed in different scenarios.

[Table 6] Analysis items and their operational definitions

Items	Operational definitions	
Coverage rate	<ul style="list-style-type: none"> • % of beneficiaries • For Livelihood and Housing Allowances, beneficiaries are all individuals belonging to beneficiary households; for Education Allowance, beneficiaries are students belonging to beneficiary households. 	
Average amount of equalized benefit (excluding non-beneficiaries)	<ul style="list-style-type: none"> • The average of the values calculated by dividing total household-level benefits (greater than KRW0) by the square root of the number of household members. • In scenarios with changed eligibility scope, the benefit amounts are still calculated and adjusted based on household data from the HFLCS. 	
Total Benefit Amount	<ul style="list-style-type: none"> • The total amount of individual benefits, estimated using weighted values. 	
Poverty rate/poverty-gap rate reduction effects	<ul style="list-style-type: none"> • Differences between the poverty/poverty-gap rates based on disposable income and the poverty/poverty-gap rates based on disposable income less NBLS benefits. 	<ul style="list-style-type: none"> • The poverty and poverty-gap rates are assessed based on equalized household income. • In scenarios with changed eligibility scope, the benefit amounts are still calculated and adjusted based on household data from the HFLCS. • The poverty line is set at 50% of the median equalized household disposable income per person, which is KRW17.27 million per year.
Disposable-income poverty/poverty-gap	<ul style="list-style-type: none"> • Refers to the poverty rate/poverty gap rate measured in terms of disposable income. 	

Note: The unit of analysis is the individual. The Housing Allowance refers to rental assistance. "Combined" means the effects from all three Allowances taken together. The poverty rate is the proportion of the population with income below the poverty line, while the poverty gap rate represents the sum of all individual poverty gaps—each gap representing the difference between an individual's income and the poverty line—divided by the product of the total number of individuals in the population and the poverty line. (Taewan Kim & Junyoung Choi. pp. 83–84). The poverty gap rate is an indicator that reflects both the extent and depth of poverty.

[Table 7] Baseline scenario: 2022 NBLs

	Scenario			
	LA	HA	EA	All
Baseline scenario	• 2022 NBLs			
Coverage rate (in %, % points)	3.05	3.68	0.60	4.81
Average equivalized benefit amount per year, non-beneficiaries excluded (in KRW10 thousands)	433	179	35	390
Total benefit payments per year (in KRW100 millions)	51,670	26,233	1,240	79,143
Poverty-rate reduction effect (in % points)	-0.21	-0.19	-0.01	-0.58
Poverty-gap reduction effect (in % points)	-0.72	-0.34	-0.02	-1.05
Disposable-income poverty rate (in %)	14.92			
Disposable-income poverty gap rate (in %)	4.91			

Source: 2023 Household Financial and Welfare Survey Raw Data. Statistics Korea. MicroData Integrated Service (MDIS) Remote Access Service. DOI: 10.23333/R.930001.002

◆ *Baseline scenario*

Table 7 presents results from the simulation analysis of synthetic benefit data generated under the baseline scenario, which assumes the NBLs rules as of 2022. Coverage rates for the Livelihood, Housing, and Education Allowances were estimated at 3.05 percent, 3.68 percent, and 0.60 percent, respectively. Annual per-person benefits, calculated in equivalized terms and excluding non-recipient households, amounted to KRW4.55 million, KRW1.79 million, and KRW0.35 million.

Although the Livelihood Allowance had a slightly lower coverage rate than the Housing Allowance, its significantly higher benefit amount resulted in a stronger poverty-reduction impact. The Livelihood, Housing, and Education Allowances reduced the poverty rate by 0.21, 0.19, and 0.01 percentage points, respectively, and the poverty-gap rate by 0.72, 0.34, and 0.02 percentage points.

With 50 percent of the median income used as the poverty threshold, the difference in poverty-reduction effects between the Livelihood and Housing Allowances was relatively small; however, the difference in their poverty-gap reduction effects was more pronounced. This suggests that the Livelihood Allowance helped raise beneficiary incomes significantly closer to, though not quite above, the poverty threshold. The three allowance programs together reduced the poverty rate by 0.58 percentage points to 14.92 percent and the poverty-gap rate by 1.05 percentage points to 4.91 percent.

[Table 8] Adjusting the standard median income and equivalence scale

	Scenario							
Alternative scenario	<ul style="list-style-type: none"> In this alternative scenario, the standard median income is calculated as the median household-level value obtained by applying the NBLs equivalence scale, scheduled for implementation in 2026, to household gross income data from the 2023 HFLCS. 							
	Alternative scenario				Difference from the baseline			
	LA	HA	EA	Combined	LA	HA	EA	Combined
Coverage rate (in %, % points)	3.72	4.39	0.78	5.85	0.67	0.71	0.18	1.04
Average equivalized benefit amount per year, non-beneficiaries excluded (in KRW10 thousands)	581	180	35	472	149	1	1	81
Total benefit payments (in KRW100 millions/year)	84,754	31,319	1,620	117,693	33,084	5,086	380	38,550
Poverty-rate reduction effect (in % points)	-0.62	-0.34	-0.02	-1.20	-0.41	-0.15	-0.01	-0.62
Poverty-gap reduction effect (in % points)	-1.13	-0.37	-0.02	-1.44	-0.41	-0.03	0.00	-0.40
Disposable-income poverty rate (in %)	14.31				-0.62			
Disposable-income poverty gap rate (in %)	4.51				-0.40			

Source: 2023 Household Financial and Welfare Survey Raw Data. Statistics Korea. MicroData Integrated Service (MDIS) Remote Access Service. DOI: 10.23333/R.930001.002

◆ Adjusting the standard median income and equivalence scale

Table 8 presents the results from the alternative scenario where no difference is assumed between the HFLCS median income and the standard median income and where the standard income is calculated using the NBLs-equivalence scale which is scheduled to be implemented in 2026. Such an adjustment increased the coverage rates of the Livelihood, Housing, and Education Allowance programs by 0.67, 0.71, and 0.81 percentage points. The per-person average amount of Livelihood Allowance—top-up payments—increased from KRW4.33 million per year to KRW5.81 million. Raising the standard median income expanded coverage and increased payments to existing beneficiaries.

This adjustment was estimated to increase the poverty-rate reduction effects of the Livelihood, Housing, and Education Allowance programs by 0.41, 0.03, and 0.01 percentage points, respectively. As for the poverty-gap rate, this change resulted in an additional reduction of 0.01 percentage points for the Livelihood Allowance and 0.03 percentage points for the Housing Allowance, while no additional effect was observed for the Education Allowance. In this scenario, the three allowance programs taken together had an additional reduction effect of 0.62 percentage points on the disposal-income poverty rate and 0.40 points on the disposal-income poverty-gap rate. This change expanded benefit eligibility, substantially for the Livelihood Allowance and to a lesser extent for the Housing Allowance, generating a considerable poverty-reduction effect.

[Table 9] Increasing the income limit for Livelihood Allowance to 35% of the standard median income

	Scenario							
Alternative scenario	• Income limit raised from 30% to 35% of the standard median income							
	Alternative scenario				Difference from the baseline scenario			
	LA	HA	EA	Combined	LA	HA	EA	Combined
Coverage rate (in %, % points)	3.46	3.75	0.60	5.00	0.41	0.07	0.00	0.19
Average equivalized benefit amount per year, non-beneficiaries excluded (in KRW10 thousands)	513	184	35	469	80	5	0	78
Total benefit payments (in KRW100 millions/year)	69,069	27,290	1,240	97,599	17,399	1,057	0	18,456
Poverty-rate reduction effect (in % points)	-0.42	-0.21	-0.01	-0.80	-0.21	-0.02	0.00	-0.22
Poverty-gap reduction effect (in % points)	-0.94	-0.35	-0.02	-1.26	-0.23	-0.01	0.00	-0.21
Disposable-income poverty rate (in %)	14.70				-0.22			
Disposable-income poverty gap rate (in %)	4.70				-0.21			

Source: 2023 Household Financial and Welfare Survey Raw Data. Statistics Korea. MicroData Integrated Service (MDIS) Remote Access Service. DOI: 10.23333/R.930001.002

◆ *Increasing the income limit for Livelihood Allowance*

Table 9 presents results from raising the income limit for the Livelihood Allowance from the current 30 percent of the standard median income to 35 percent. This change in the income limit led to a 0.41 percentage-point increase in the coverage rate. The annual amount of benefit payments, calculated in equivalized terms and excluding non-recipient households, increased by KRW800,000 per recipient. On a disposable-income basis, the poverty rate declined by 0.22 percentage points and the poverty-gap rate narrowed by 0.21 points. This change broadened the coverage of the Livelihood Allowance and increased the benefit amount, leading to a significant reduction in poverty.

[Table 10] Increasing the income limit for Housing Allowance to 50% of the standard median income

	Scenario							
Alternative scenario	• Income limit raised from 46% to 50% of the standard median income							
	Alternative				Difference from the baseline scenario			
	LA	HA	EA	Combined	LA	HA	EA	Combined
Coverage rate (in %, % points)	3.05	3.88	0.60	4.99	0.00	0.19	0.00	0.18
Average equivalized benefit amount per year, non-beneficiaries excluded (in KRW10 thousands)	433	176	35	383	0	-3	0	-7
Total benefit payments (in KRW100 millions/year)	51,670	27,103	1,240	80,013	0	870	0	870
Poverty-rate reduction effect (in % points)	-0.21	-0.21	-0.01	-0.60	0.00	-0.02	0.00	-0.02
Poverty-gap reduction effect (in % points)	-0.72	-0.35	-0.02	-1.05	0.00	-0.01	0.00	-0.01
Disposable-income poverty rate (in %)	14.90				-0.02			
Disposable-income poverty gap rate (in %)	4.90				-0.01			

Source: 2023 Household Financial and Welfare Survey Raw Data. Statistics Korea. MicroData Integrated Service (MDIS) Remote Access Service. DOI: 10.23333/R.930001.002

◆ *Increasing the income Limit for Housing Allowance*

Table 10 presents the effects of raising the income limit for the Housing Allowance from 46 percent to 50 percent of the standard median income. This 4 percentage-point increase raised the coverage rate of the Housing Allowance by 0.19 percentage points and reduced the poverty rate and poverty-gap rate (on a disposable-income basis) by 0.02 and 0.01 percentage points, respectively. While increasing the income limit for the Livelihood Allowance, intended for the poorest segment of the population, proved highly effective in reducing poverty, leading to broadened eligibility and increased benefits for existing beneficiaries, the higher limit for the Housing Allowance, which primarily benefits low-income individuals who are not in absolute poverty, had less of an effect on poverty reduction.

◆ *Increasing the deduction on earned and business incomes*

The proposed expansion of deduction on earned and business income further increased the coverage rates of the Livelihood, Housing, and Education Allowances by 0.67, 0.97, and 0.19 percentage points, respectively. As a result, the poverty reduction effects of these allowance programs rose by 0.22, 0.18, and 0.01 percentage points, while the poverty-gap reduction effects increased by 0.12, 0.03, and 0.00 percentage points. Altogether, the combined effect was a 0.36 percentage-point decrease in the poverty rate and a 0.13 percentage-point reduction in the poverty-gap rate.

Increasing the standard deduction on earned and business incomes raised the amount received by existing beneficiaries engaged in economic activities as well as brought new beneficiaries into the benefit system, with the result that the coverage of the NBLS system expanded and poverty was reduced.

**[Table 11] Increased deduction on earned and business income:
increased age limit and increased basic deduction rate**

	Scenarios							
	Alternative scenario				Differentials from the baseline			
	LA	HA	EA	Combined	LA	HA	EA	Combined
Alternative scenario	<ul style="list-style-type: none"> Age criteria broadened from ‘adults aged 24 or younger and college students’ to ‘adults aged 29 or younger and college students’ Basic deduction increased from 30% to 50%, with the fixed amount for each group remaining the same as in 2022 							
Coverage rate (in %, % points)	3.72	4.65	0.79	5.99	0.67	0.97	0.19	1.18
Average equivalized benefit amount per year, non-beneficiaries excluded (in KRW10 thousands)	434	181	35	387	1	2	0	-3
Total benefit payments (in KRW100 millions/year)	61,443	33,298	1,646	96,386	9,773	7,065	405	17,244
Poverty-rate reduction effect (in % points)	-0.43	-0.37	-0.02	-0.94	-0.22	-0.18	-0.01	-0.36
Poverty-gap reduction effect (in % points)	-0.84	-0.37	-0.02	-1.18	-0.12	-0.03	0.00	-0.13
Disposable-income poverty rate (in %)	14.56				-0.36			
Disposable-income poverty gap rate (in %)	4.78				-0.13			

Source: 2023 Household Financial and Welfare Survey Raw Data. Statistics Korea. MicroData Integrated Service (MDIS) Remote Access Service. DOI: 10.23333/R.930001.002

[Table 12] Asset criteria eased: raising the asset ceilings, from their 2022 levels to twice their 2023 levels

	Scenario							
Alternative scenario	<ul style="list-style-type: none"> Increasing the limits on personal residence property and basic-living-standard assets, as well as the limits on special asset exemptions and additional financial-asset exemptions that target households consisting solely of members unable to work, from their 2022 baseline to twice their 2023 levels. 							
	Alternative scenario				Difference from the Baseline			
	LA	HA	EV	Combined	LA	HA	EV	Combined
Coverage rate (in %, % points)	3.63	4.09	0.75	5.72	0.58	0.41	0.16	0.91
Average equivalized benefit amount per year, non-beneficiaries excluded (in KRW10 thousands)	418	182	34	373	-14	2	-1	-17
Total benefit payments (in KRW100 millions/year)	59,044	29,282	1,551	89,878	7,374	3,050	311	10,735
Poverty-rate reduction effect (in % points)	-0.25	-0.28	-0.05	-0.73	-0.04	-0.09	-0.04	-0.15
Poverty-gap reduction effect (in % points)	-0.82	-0.37	-0.02	-1.17	-0.10	-0.03	0.00	-0.13
Disposable-income poverty rate (in %)	14.77				-0.15			
Disposable-income poverty gap rate (in %)	4.78				-0.13			

Source: 2023 Household Financial and Welfare Survey Raw Data. Statistics Korea. MicroData Integrated Service (MDIS) Remote Access Service. DOI: 10.23333/R.930001.002

◆ Doubling the 2023 asset ceilings from the 2022 baseline

Table 12 presents the impact of doubling the 2023 asset ceilings relative to their 2022 baselines—for categories such as ‘personal residence property’, ‘basic-living-standard assets’, and ‘special asset exemptions’ and ‘additional financial-asset exemptions’, with the latter two specifically targeting households composed entirely of individuals unable to work. This adjustment increased coverage for Livelihood, Housing, and Education Allowances by 0.58, 0.41, and 0.16 percentage points, respectively. The combined impact of the three programs was a drop of 0.15 percentage points in the poverty rate and a 1.13 percentage-point decrease in the poverty-gap rate.

[Table 13] Asset criteria eased: lowering the asset-to-income conversion factors

	Scenario							
Alternative scenario	<ul style="list-style-type: none"> Lowering by 50% the asset-to-income conversion factors for personal residence property, general assets, and financial assets Applying to motor vehicles the conversion factor applied to general assets 							
	Alternative scenario				Difference from the baseline			
	LA	HA	EA	Combined	LA	HA	EA	Combined
Coverage rate (in %, % points)	3.73	4.54	0.97	6.13	0.68	0.86	0.37	1.32
Average equivalized benefit amount per year, non-beneficiaries excluded (in KRW10 thousands)	419	175	35	358	-13	-5	0	-32
Total benefit payments (in KRW100 millions/year)	59,417	30,884	1,989	92,290	7,747	4,651	748	13,147
Poverty-rate reduction effect (in % points)	-0.25	-0.26	-0.02	-0.79	-0.04	-0.07	-0.01	-0.21
Poverty-gap reduction effect (in % points)	-0.84	-0.40	-0.03	-1.23	-0.12	-0.06	-0.01	-0.19
Disposable-income poverty rate (in %)	14.71				-0.21			
Disposable-income poverty gap rate (in %)	4.72				-0.19			

Source: 2023 Household Financial and Welfare Survey Raw Data. Statistics Korea. MicroData Integrated Service (MDIS) Remote Access Service. DOI: 10.23333/R.930001.002

◆ Lowering the asset-to-income conversion factors

As shown in Table 13, halving the conversion factors for personal residence property, general assets, and financial assets, along with applying the reduced factor for general assets to motor vehicles, increased the coverage rates of the Livelihood, Housing, and Education Allowances by 0.68, 0.86, and 0.37 percentage points, respectively. These changes reduced the poverty rate and the poverty-gap rate by 0.21 and 0.19 percentage points. This adjustment enhanced the poverty-reduction effect of the NBLIS primarily through increasing coverage for the Livelihood and Housing Allowances.



Concluding remarks

This study examined the effects of key proposed changes in the NBLS, using a simulation model based on data from the HFLCS. The simulation shows that these changes—such as eliminating the gap between the standard median income and the actual median income as reported in the HFLCS, raising the eligibility ceiling for the Livelihood Allowance, increasing the basic deduction on earned and business income, and relaxing asset criteria—resulted in expanded NBLS coverage and reduced poverty. Increasing the eligibility ceiling for the Housing Allowance, which primarily benefits low-income individuals rather than the poorest, does not affect poverty reduction to any significant extent.

Our simulation analysis suggests several recommendations. First, while setting the eligibility limit at a higher percentage of the standard median income and adjusting the standard median income upward can be technically the same in effect, it must be noted that raising the standard income itself—so that it more accurately reflects increases in society-wide average income—should take precedence, especially given the original rationale for its introduction.

Second, while the effect of an expanded Livelihood Allowance as a top-up income supplement concentrates in livelihood support for the most destitute, the increased eligibility for the Housing and Education Allowances need be assessed in terms not of to what extent it mitigates absolute poverty but of the extent to which it contributes to stable housing for low-income households and ensures their rights to education. Relatedly, there is a longer-term need to redefine the roles of the Livelihood, Housing, and Education Allowances within the NBLS system and consider ways to bring improvements to each of these programs.

Third, now that the support obligor criteria have been either abolished or substantially scaled back, efforts to fill in gaps in the coverage of the NBLS should henceforth focus on easing the asset limits. A variety of measures, including notional increases in the ceilings on such asset-test parameters as personal residence property and basic living standard assets, along with reducing the asset-to-income conversion factors, could enhance the poverty-reduction effect of both the Livelihood and Housing Allowances.

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