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Why Is Perceived Inequality So High? Determinants and Policy Implications

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This study examines why perceived inequality rises despite improvements in income distribution indicators, attributing this trend to the worsening distribution of non-income resources. Using data from Waves 2 through 17 of the Korea Welfare Panel Study, we find that individuals largely fail to perceive these improvements, likely due to rising cost-of-living burdens and persistent asset inequality. In particular, increasing asset inequality may be a key factor explaining why distributional gains go unfelt; for low-income groups, the issue may lie less with their income levels than with the limited resources remaining after covering basic necessities. These findings suggest the need for policy interventions that enhance household liquidity and expand opportunities for asset accumulation.

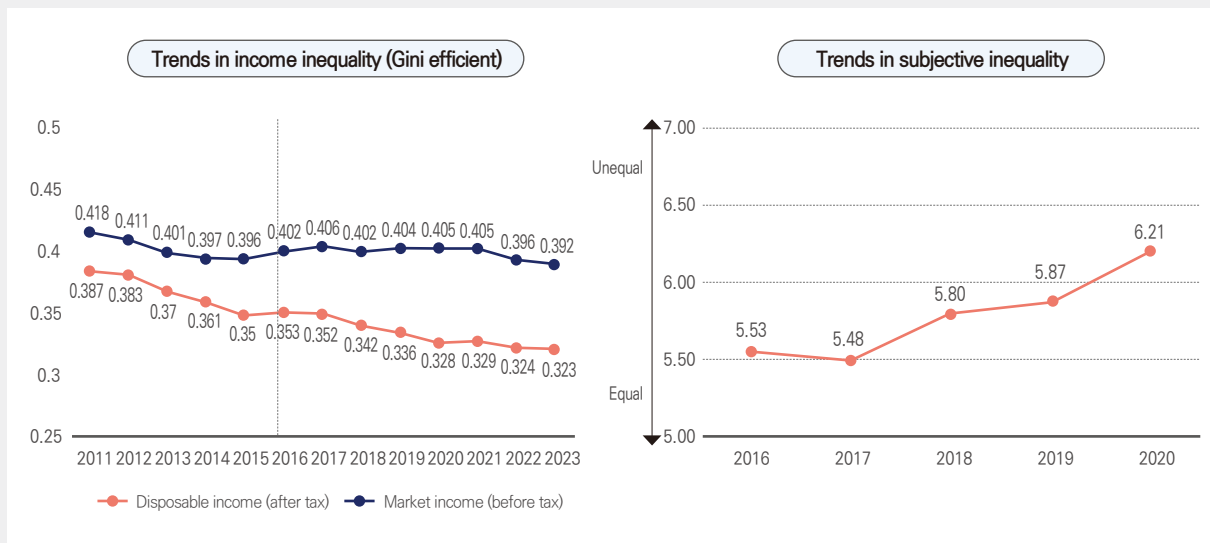
Introduction: improved real-income distribution and worsened perceived inequality

Perceived inequality has steadily increased over the past 10 years, even as official income distribution indicators have declined (i.e., improved) thanks to expanded public transfer programs.

Apart from 2024, when the Ministry of Data and Statistics reported a slight rise in the Gini coefficient (based on equivalized disposable income), inequality has declined overall in Korea since the early 2010s. As shown in the graph on the left of Figure 1, Korea's official inequality measure has trended downward on the back of expanded public transfers [Yeo, 2021; Lee, W. et al., 2021]. Nevertheless, many Koreans continue to feel that inequality remains high or is even worsening, a perception that runs counter to

the recent distributional gains. The graph on the right illustrates a clear rise in perceived income and asset inequality between 2016 and 2020 [Hwang, 2023]. Moreover, despite the recent narrowing of actual income gaps, over 80 percent of Koreans have consistently described these gaps as wide [Jo, 2023, p. 8]. This trend was already strong around 2018, when 85 percent viewed income disparities as large [Jung et al., 2018], and it peaked in 2024 with more than 90 percent of respondents holding that view [Cheong et al., 2024].

[Figure 1] Trends in real-income distribution and subjective inequality



Note: A value of 0 indicates a perfectly equal society, whereas 1 indicates complete inequality; thus, higher values signify greater income inequality.

Source: "Gini Coefficient" [dataset], National Data Portal, 2024, National Development Indicators (e-Nara Indicators). Retrieved February 10, 2025, from <https://www.index.go.kr/unity/potal/indicator/IndexInfo.do?idxCd=4225>; author's compilation based on downloaded data.

Note: Based on responses to the question, "How equally do you think income and wealth are distributed in Korea?", measured on an 11-point scale. The average value is calculated by reverse-coding responses ranging from "not at all equal" (0) to "very equal" (10). Because the responses are reverse-coded, higher scores indicate a perception of greater economic inequality.

Source: Hwang, Sun-jae (2023). "Trends and Causes of Perceived Economic Inequality, 2016-2020," *Korean Journal of Sociology*, 57(3), p. 12.

This article analyzes the factors affecting perceived inequality and proposes policy interventions designed to improve people's perceptions of income and wealth distribution. Using random-effects panel regression on data from Waves 2 to 17 of the Korea Welfare Panel Study, this study examines the effect of non-income economic resources on perceived inequality. Perceived inequality is measured via participants' responses to questions regarding "income and asset inequality" and "income gaps," with

higher scores indicating greater perceived inequality.¹⁾ The regression model controls for demographic and socioeconomic characteristics—including age, sex, education level, marital status, employment, and health—that may influence individual perceptions.



The impact of income on perceived inequality

As Table 1 shows, lower-income individuals tend to view the distribution of economic resources as more unequal. Agreement with statements such as “Income and asset inequality is too severe” and “Income disparities are too large” is negatively and significantly correlated with income level. This pattern becomes more apparent when examined by income group, with individuals in low-income and lower-middle-income groups more likely to rate income and asset distribution as highly unequal and income gaps as too large. While perceptions among upper-middle and middle-middle income groups are broadly similar to high-income groups, lower-middle-income groups tend to perceive the severity of inequality as high, as do low-income groups.

On average, low-income groups perceive economic inequality more acutely, despite the expansion of social assistance programs targeted primarily at them. Distributional improvements also appear to go largely unnoticed by lower-middle-income groups, likely because their market incomes have stagnated while public transfers remain limited.

An OECD report notes that the effect of an expanding social security system extends to those in the middle class and contributes to the betterment of their economic conditions; in reality, however, middle-income groups receive too little in social benefits relative to what they pay in taxes. That said, unlike what is the case for perceptions of income gaps, the perception that the distribution of income and assets is unequal does not vary significantly with the level of disposable income.

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1) The first measure is based on the question, “How equally do you think income and wealth are distributed in Korea?” with responses recorded on a 7-point scale ranging from “Very equal” (1) to “Very unequal” (7). The second measure is based on respondents’ agreement with the statement, “Income disparities in Korea is too large,” with responses reverse-coded to a 5-point scale ranging from “Strongly disagree” (1) to “Strongly agree” (5).

[Table 1] Disposable income and subjective inequality

| Variables | | Distribution of income and assets is unequal | Income gaps are large |
|------------------|--|--|-----------------------|
| Model 1 | Equivalentized disposable income | -0.003 (0.002) | -0.004*** (0.001) |
| Model 1-1 | Reference: Equivalentized disposable income decile 10 | | |
| | Decile 1 | 0.243*** (0.067) | 0.175*** (0.039) |
| | Decile 2 | 0.162** (0.062) | 0.167*** (0.035) |
| | Decile 3 | 0.186*** (0.054) | 0.214*** (0.031) |
| | Decile 4 | 0.214*** (0.048) | 0.215*** (0.027) |
| | Decile 5 | 0.154*** (0.046) | 0.122*** (0.026) |
| | Decile 6 | 0.164*** (0.045) | 0.127*** (0.025) |
| | Decile 7 | 0.183*** (0.042) | 0.140*** (0.024) |
| | Decile 8 | 0.0871* (0.041) | 0.118*** (0.023) |
| | Decile 9 | 0.062 (0.039) | 0.099*** (0.022) |
| Model 2 | Reference: High-income (at least 200% of median equivalentized income) | | |
| | Low-income (less than 75% of the median) | 0.195*** (0.047) | 0.177*** (0.027) |
| | Middle-income (at least 75% and less than 200% of the median) | 0.0949* (0.042) | 0.110*** (0.024) |
| Model 2-1 | Reference: High-income (at least 200% of median equivalentized income) | | |
| | Low-income (less than 75% of the median) | 0.206*** (0.048) | 0.187*** (0.027) |
| | Lower-middle (at least 75% and less than 100% of the median) | 0.154** (0.048) | 0.155*** (0.027) |
| | Middle-middle (at least 100% and less than 150% of the median) | 0.084 (0.044) | 0.118*** (0.025) |
| | Upper-middle (at least 150% and less than 200% of the median) | 0.062 (0.048) | 0.047 (0.028) |

Note: (i) The OECD (2019) defines middle-income groups as those whose equivalentized disposable household income is at least 75% but less than 200% of the median equivalentized income. When subdivided, lower middle-income households have equivalentized disposable income between 75% and less than 100% of the median; middle-middle-income groups have incomes between 100% and less than 150%; and upper-middle-income households have incomes between 150% and less than 200%.

(ii) Values in parentheses are standard errors.

*p < 0.05, ** p < 0.01, *** p < 0.001

Source: Korea Welfare Panel Study 2007 (Wave 2), 2010 (Wave 5), 2013 (Wave 8), 2016 (Wave 11), 2019 (Wave 14), 2021 (Wave 17). Korea Institute for Health and Social Affairs and Seoul National University Institute of Social Welfare; author's calculations using longitudinal sample weights.

The effect of non-income resources on subjective inequality

◆ Household costs and subjective inequality

Lower-income groups are more likely to perceive economic inequality as high and aggravating, which may be due to their cost-of-living pressures.

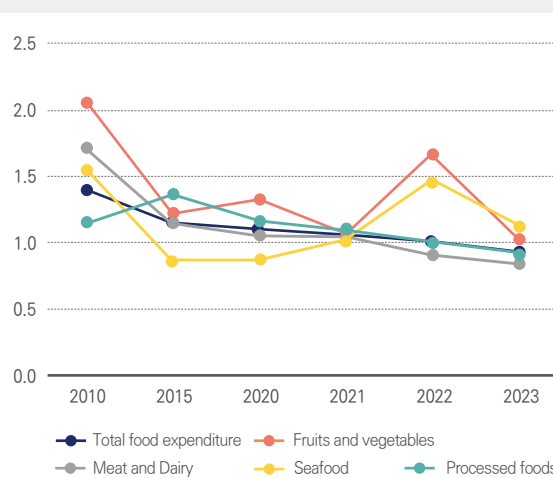
[Table 2] Distribution of households with high cost-of-living expenditures

| Income deciles | % of households with insufficient income | % of households with high food-expenditure shares |
|----------------|--|---|
| Decile 1 | 6.1 | 93.3 |
| Decile 2 | - | 93.0 |
| Decile 3 | - | 86.6 |
| Decile 4 | - | 75.3 |
| Decile 5 | - | 63.0 |
| Decile 6 | - | 52.9 |
| Decile 7 | - | 40.3 |
| Decile 8 | - | 25.8 |
| Decile 9 | - | 12.2 |
| Decile 10 | - | 3.8 |

Note: Insufficient income = 1 if the amount of current income remaining after consumption spending is less than zero, and 0 otherwise; High food expenditure share = 1 if food expenses exceed 20% of current income, and 0 otherwise.

Source: Korea Welfare Panel Study 2007 (Wave 2), 2010 (Wave 5), 2013 (Wave 8), 2016 (Wave 11), 2019 (Wave 14), 2021 (Wave 17). Korea Institute for Health and Social Affairs and Seoul National University Institute of Social Welfare; author's calculations using longitudinal sample weights.

[Figure 2] Trends in food expenditure ratios: high- to low-income 3-person households



Note: Y-axis values denote the ratio of food expenditures between households with monthly incomes of KRW 7.5 million or higher and those with incomes of KRW 2.0–2.99 million. Three-person households with monthly incomes below KRW 2.0 million are excluded because they represent fewer than 10 cases.

Source: Agri-food Consumption Information DB Raw Data [unpublished], Rural Development Administration, respective years. The analysis is based on data obtained from the RDA through a formal request.

As Table 2 shows, individuals with insufficient income (defined as having zero or negative income after expenses) are observed only in the lowest income decile. Furthermore, as Figure 2 illustrates, the narrowing gap in household food spending between income classes suggests that the burden of food costs may have increased to more heavily for low-income groups. While individuals whose food costs exceed 20 percent of their current income are found across all income groups, the prevalence of such cases decreases as income level increases.

For lower-income groups, distributional improvements may fail to register not so much because of their absolute income levels as because their incomes cover little more than basic living expenses. As shown in Table 3, insufficient income and a high share of food expenditure are factors that significantly

influence how individuals perceive inequality. In Model 2, which also accounts for disposable income, this factor has no statistically significant effect on perceived economic inequality, whereas household expenditure shares do have a significant effect.

[Table 3] Models analyzing the relationship between perceived inequality and household expenditures

| Variables | | Distribution of income and assets is unequal | Income gaps are large |
|------------------|---|--|-----------------------|
| Model 1 | Non-negative residual income (reference) | 0.540* | -0.218 |
| | Insufficient income | (0.267) | (0.145) |
| | Spending <20% of income on food (reference) | 0.159*** | 0.114*** |
| | High food expenditure share | (0.025) | (0.013) |
| Model 1-1 | Non-negative residual income (reference) | 0.539* | -0.271 |
| | Insufficient income | (0.238) | (0.144) |
| Model 1-2 | Spending <20% of income on food (reference) | 0.157*** | 0.115*** |
| | High food expenditure share | (0.025) | (0.013) |
| Model 2 | Equivalentized disposable income | -0.001 (0.002) | -0.003** (0.001) |
| | Non-negative residual income (reference) | 0.537* | -0.236 |
| | Insufficient income | (0.267) | (0.145) |
| | Spending <20% of income on food (reference) | 0.158*** | 0.109*** |
| | High food expenditure share | (0.025) | (0.013) |

Note: (i) Insufficient income = 1 if the amount of current income remaining after consumption spending is less than zero, and 0 otherwise; High food expenditure share = 1 if food expenses exceed 20% of current income, and 0 otherwise.

(ii) Values in parentheses are standard errors.

*p < 0.05, ** p < 0.01, *** p < 0.001

Source: Korea Welfare Panel Study 2007 (Wave 2), 2010 (Wave 5), 2013 (Wave 8), 2016 (Wave 11), 2019 (Wave 14), 2021 (Wave 17). Korea Institute for Health and Social Affairs and Seoul National University Institute of Social Welfare; author's calculations using longitudinal sample weights.

The effect of a high share of food expenses is apparent in lower-income deciles, as shown in Table 4. The effect of income increases on mitigating perceived inequality is largely confined to middle-income groups. For lower-income groups, income increases do not reduce perceived inequality.

Cost-of-living pressures are most evident among low-income groups. In the bottom income decile, insufficient income is a cause of higher perceived inequality in income and asset distribution; however, it does not affect perceived income disparities in any significant way. A high food expenditure share is associated with stronger perceptions of inequality, particularly for the bottom income decile and lower-middle income groups. In the bottom income decile and lower-middle income groups, individuals with a high food expenditure share tended to view the state of distribution in a negative light.

[Table 4] Models analyzing the relationship between perceived inequality and household expenditures, by income level

| Groups | Distribution of income and assets is unequal | | | | | |
|--|--|----------------|------------------------|----------------|--------------------------------|----------------|
| | Equivalentized disposable income | | Insufficient income | | High share of food expenditure | |
| | Regression coefficient | Standard error | Regression coefficient | Standard error | Regression coefficient | Standard error |
| Income decile 1 | 0.070 | (0.040) | 1.181*** | (0.356) | 0.681* | (0.291) |
| Low-income (less than 75% of median equivalentized income) | -0.049 | (0.027) | 0.221 | (0.259) | 0.035 | (0.050) |
| Lower-middle (at least 75% and less than 100% of the median) | -0.172** | (0.060) | | | 0.145** | (0.055) |
| Middle-middle (at least 100% and less than 150% of the median) | -0.134*** | (0.034) | | | 0.111* | (0.055) |
| Upper-middle (at least 150% and less than 200% of the median) | -0.180*** | (0.042) | | | -0.284 | (0.196) |
| High-income (at least 200% of the median) | 0.001 | (0.002) | | | -0.091 | (0.478) |
| Groups | Distribution of income and assets is unequal | | | | | |
| | Equivalentized disposable income | | Insufficient income | | High share of food expenditure | |
| | Regression coefficient | Standard error | Regression coefficient | Standard error | Regression coefficient | Standard error |
| Income decile 1 | 0.003 | (0.020) | -0.291 | (0.175) | 0.038 | (0.141) |
| Low-income (less than 75% of median equivalentized income) | -0.014 | (0.014) | -0.276* | (0.135) | 0.0846** | (0.026) |
| Lower-middle (at least 75% and less than 100% of the median) | -0.067* | (0.032) | | | 0.113*** | (0.029) |
| Middle-middle (at least 100% and less than 150% of the median) | -0.041* | (0.019) | | | 0.051 | (0.031) |
| Upper-middle (at least 150% and less than 200% of the median) | -0.071** | (0.024) | | | -0.066 | (0.110) |
| High-income (at least 200% of the median) | -0.002 | (0.001) | | | 0.472 | (0.261) |

Note: (i) The OECD (2019) defines middle-income groups as those whose equivalentized disposable household income is at least 75% but less than 200% of the median equivalentized income. When subdivided, lower middle-income households have equivalentized disposable income between 75% and less than 100% of the median; middle-middle-income groups have incomes between 100% and less than 150%; and upper-middle-income households have incomes between 150% and less than 200%.

(ii) Insufficient income = 1 if the amount of current income remaining after consumption spending is less than zero, and 0 otherwise; High food expenditure share = 1 if food expenses exceed 20% of current income, and 0 otherwise; Values in parentheses are standard errors.

*p < 0.05, ** p < 0.01, *** p < 0.001

(iii) Values in parentheses are standard errors.

*p < 0.05, ** p < 0.01, *** p < 0.001

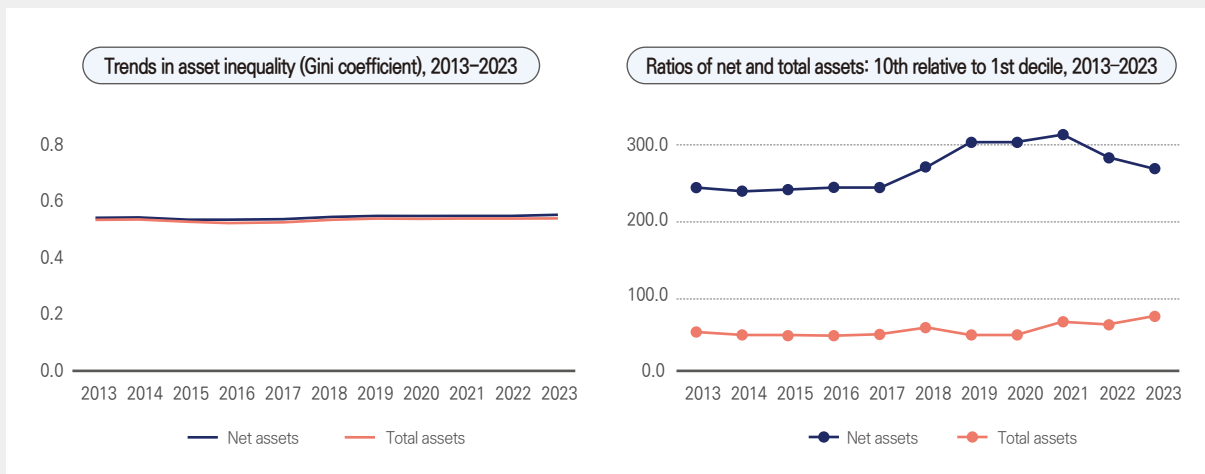
Source: Korea Welfare Panel Study 2007 (Wave 2), 2010 (Wave 5), 2013 (Wave 8), 2016 (Wave 11), 2019 (Wave 14), 2021 (Wave 17). Korea Institute for Health and Social Affairs and Seoul National University Institute of Social Welfare; author's calculations using longitudinal sample weights.

◆ *Assets and perceived inequality*

One reason why distributional improvement often goes unrecognized may be the unequal distribution of assets, which, ever since the publication of Thomas Piketty’s *Capital in the Twenty-First Century*, has been cited as a factor responsible for the deepening of inequality. When asked about their perceptions of distribution or inequality, respondents are often unsure of what their perceived inequality is supposed to be an inequality of. Even when the question or statement specifies “income distribution,” respondents are more likely to base their answer on both income and assets. The level of perceived inequality does not necessarily decline just because income inequality (as measured with the Gini coefficient) declines, since respondents often place greater weight on assets than on income when asked about their perception of inequality in the distribution of economic resources like “income and assets” [Hwang, 2023, p. 24].

While income distribution has kept improving since the late 2000s [Lee, S. et al., 2020, pp. 63-68], asset inequality has been rising somewhat all along. Asset distribution, highly top-heavy, is more unequal than income distribution [Davies & Shorrocks, 2000]. The asset Gini, at 0.5, is significantly higher than the disposable income Gini, which averages 0.3. Gaps across asset deciles widened until before the COVID-19 pandemic. Even after the pandemic, wealth gaps widened across deciles when measured in terms of total assets.

[Figure 3] Trends in asset distribution



Source: Author’s calculations based on the Survey of Household Finances and Living Conditions [dataset], National Data Archive, each year, via the MDIS remote access service of the National Data Archive (DOI: 10.23333/PN.50150144.V1.3, 10.23333/PN.50150143.V1.3, 10.23333/PN.50150141.V2.2), with household weights applied.

Note: Households are divided into ten groups, from the 1st decile (lowest assets) to the 10th decile (highest assets), based on net assets. The reported values are calculated as the net assets and total assets of the 10th decile divided by those of the 1st decile. In cases where net assets are negative, they are converted to 0 for the calculation.

Source: Author’s calculations based on the Survey of Household Finances and Living Conditions [dataset], National Data Archive, each year, via the MDIS remote access service of the National Data Archive (DOI: 10.23333/PN.50150144.V1.3, 10.23333/PN.50150143.V1.3, 10.23333/PN.50150141.V2.2), with household weights applied.

As shown in Table 5, both asset ownership and the scale of assets held may be key factors shaping individuals' perceptions of economic distribution. Individuals with greater net assets tend to view inequality or income gaps as less severe. Responses to the question specifically on 'income' gaps reveal a statistically significant association between higher disposable income and lower perceived income disparities. However, when the question concerns inequality in the distribution of both income and assets, asset holdings emerge as the stronger influence. Model 3 of Table 5 further indicates that individuals with larger financial asset holdings and real estate owners (homeowners) are significantly more likely than those with fewer assets or non-homeowners to perceive inequality in the distribution of income and assets, as well as income disparities, as less severe.

[Table 5] Models analyzing the relationship between perceived inequality and asset holdings

| Variables | | Distribution of income and assets is unequal | Income gaps are large |
|----------------|--|--|-----------------------|
| Model 1 | Equivalized disposable income (in millions) | -0.001 (0.002) | -0.003*** (0.001) |
| | Net assets | -0.019*** (0.003) | -0.006*** (0.001) |
| Model 2 | Equivalized disposable income | -0.002 (0.002) | -0.003** (0.001) |
| | Net assets in deciles | | |
| | Decile 1 | 0.208*** (0.040) | 0.158*** (0.022) |
| | Decile 2 | 0.393 (0.291) | 0.0378 (0.158) |
| | Decile 3 | 0.146* (0.064) | 0.157*** (0.035) |
| | Decile 4 | 0.149** (0.051) | 0.0832** (0.029) |
| | Decile 5 | 0.192*** (0.047) | 0.139*** (0.027) |
| | Decile 6 | 0.180*** (0.046) | 0.063* (0.026) |
| | Decile 7 | 0.0795 (0.046) | 0.072** (0.026) |
| | Decile 8 | 0.099* (0.045) | 0.0836** (0.025) |
| Decile 9 | 0.016 (0.044) | 0.059* (0.025) | |
| Model 3 | Equivalized disposable income | -0.001 (0.002) | -0.003*** (0.001) |
| | Financial asset holdings | -0.004*** (0.001) | -0.001** (0.000) |
| | Real-estate assets (homeowner/non-homeowner) | -0.087*** (0.024) | -0.061*** (0.013) |

Note: Values in parentheses are standard errors.

*p < 0.05, ** p < 0.01, *** p < 0.001

Source: Korea Welfare Panel Study 2007 (Wave 2), 2010 (Wave 5), 2013 (Wave 8), 2016 (Wave 11), 2019 (Wave 14), 2021 (Wave 17). Korea Institute for Health and Social Affairs and Seoul National University Institute of Social Welfare; compiled by the author using longitudinal sample weights.

As shown in Table 6, the effects of income and assets on perceptions of economic inequality vary by income level and asset type. Among low-income groups with low asset holdings, increases in disposable income or financial assets are significantly associated with perceiving income and wealth inequality, as well as income gaps, to be less severe. In contrast, real estate assets (home ownership) have no significant effect on such perceptions among these groups.

For low-income groups with limited assets, the amount of assets that are readily convertible to cash may serve as a key indicator of their future prospects and, consequently, influence their perceptions of inequality.

Among groups at or above the upper-middle-income level, homeownership is associated with perceiving society as more equal. Within middle-income groups, however, non-homeowner households in the upper-middle-income range (with disposable incomes between 100 percent and less than 150 percent of the median) tend to perceive inequality as more severe. This finding is consistent with previous research suggesting that ownership of specific assets—particularly real estate—can shape perceptions of distributional inequality [Hwang, 2023, 2025].

[Table 6] Models analyzing the relationship between perceived inequality and household expenditures

| Groups | Distribution of income and assets is unequal | | | | | |
|--|--|----------------|--------------------------|----------------|-----------------------------|----------------|
| | Equivalentized disposable income | | Financial-asset holdings | | Homeowner/ non-homeowner | |
| | Regression coefficient | Standard error | Regression coefficient | Standard error | Regression coefficient | Standard error |
| Asset decile 1 | -0.047* | (0.019) | -0.014 | (0.010) | -0.089 | (0.054) |
| Income decile 1 | 0.079* | (0.036) | -0.009* | (0.004) | 0.023 | (0.083) |
| Low-income (less than 75% of median equivalentized income) | -0.083*** | (0.023) | -0.007** | (0.002) | -0.042 | (0.037) |
| Lower-middle (at least 75% and less than 100% of the median) | -0.214*** | (0.051) | -0.006 | (0.004) | -0.077 | (0.056) |
| Middle-middle (at least 100% and less than 150% of the median) | -0.108*** | (0.029) | -0.009*** | (0.002) | 0.027 | (0.048) |
| Upper-middle (at least 150% and less than 200% of the median) | -0.178*** | (0.035) | 0.000 | (0.001) | -0.180* | (0.076) |
| High-income (at least 200% of the median) | -0.000 | (0.002) | -0.003* | (0.002) | -0.295** | (0.106) |
| Groups | Equivalentized disposable income | | | | | |
| | Equivalentized disposable income | | Financial-asset holdings | | Homeowner/ non-homeowner | |
| | Regression coefficient | Standard error | Regression coefficient | Standard error | Regression coefficient | Standard error |
| Asset decile 1 | -0.040*** | (0.010) | 0.012* | (0.005) | -0.055 | (0.029) |
| Income decile 1 | 0.026 | (0.019) | -0.000 | (0.002) | -0.072 | (0.046) |
| Low-income (less than 75% of median equivalentized income) | -0.006 | (0.001) | -0.002 | (0.001) | -0.095*** | (0.021) |
| Lower-middle (at least 75% and less than 100% of the median) | -0.078* | (0.031) | -0.004* | (0.002) | -0.054 | (0.032) |
| Middle-middle (at least 100% and less than 150% of the median) | -0.046* | (0.019) | -0.001 | (0.001) | 0.055* | (0.027) |
| Upper-middle (at least 150% and less than 200% of the median) | -0.072** | (0.024) | 0.001 | (0.001) | -0.068 | (0.046) |
| High-income (at least 200% of the median) | -0.002 | (0.001) | -0.001 | (0.002) | -0.209*** | (0.061) |

Note: (i) Following OECD (2019), middle-income households are defined as those whose equivalentized disposable household income is between 75% (inclusive) and 200% (exclusive) of the equivalentized median income. When further subdivided, lower middle-income households are those with equivalentized disposable income between 75% (inclusive) and 100% (exclusive) of the median; middle middle-income households are those between 100% (inclusive) and 150% (exclusive); and upper middle-income households are those between 150% (inclusive) and 200% (exclusive) of the median.

(ii) Values in parentheses are standard errors.

*p < 0.05, ** p < 0.01, *** p < 0.001

Source: Korea Welfare Panel Study 2007 (Wave 2), 2010 (Wave 5), 2013 (Wave 8), 2016 (Wave 11), 2019 (Wave 14), 2021 (Wave 17). Korea Institute for Health and Social Affairs and Seoul National University Institute of Social Welfare; compiled by the author using longitudinal sample weights.



Concluding remarks: policy measures for improving perceived economic distribution

This analysis suggests that low-income, low-asset groups require support to improve liquidity, as their coping capacity can easily be overwhelmed by unexpected costs. Expanding expenditure subsidy schemes like vouchers will help these liquidity-poor households meet basic needs while reducing the share of income spent on living costs. This shift could begin by expanding the current agri-food voucher program targeting social assistance beneficiaries who meet specific requirements.

Asset holdings positively influence how individuals perceive economic distribution; however, inequality as perceived by low-income, low-asset groups may remain severe even if they hold assets, if those assets lack liquidity. Increasing income supplements in the form of emergency welfare aid could help these households weather temporary difficulties in situations of liquidity shortage without resorting to debt. For the longer term, policymakers should consider whether and how certain assets should be counted as income in means-testing for social assistance programs.

In addition, there is a need to provide asset accumulation opportunities for those in middle- and higher-income groups who otherwise have limited chances to build assets and for whom distributional improvements therefore may fail to register. For low-income groups, expanded public transfers can, by increasing their disposable income, positively influence their perceptions of economic distribution.

Given the insufficiency of public transfers to the middle class—as pointed out by the OECD—there is a need to broaden the eligibility of social assistance programs, which currently focus so heavily on low-income groups that they can hardly improve perceptions of economic distribution among middle-income, particularly lower-middle-income, groups. Efforts to increase opportunities for asset accumulation among middle-income groups should involve expanding housing supply and providing greater financial support for first-time homeowners.

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